Government of Saskatchewan

Annual Report 2004-2005

Saskatchewan Finance

Saskatchewan Centennial 2005

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This document can also be found on-line at **www.gov.sk.ca/finance** – click on the "Publications" tab.

Letters of Transmittal

Her Honour the Honourable
Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

May It Please Your Honour:

I respectfully submit the Annual Report of Saskatchewan Finance for the fiscal year ending March 31, 2005.

Harry Van Mulligen
Minister of Finance
July 15, 2005

The Honourable Harry Van Mulligen
Minister of Finance

Dear Sir:

I have the honour of submitting the Annual Report of Saskatchewan Finance for the fiscal year ending March 31, 2005.

Respectfully submitted,

Ron Styles
Deputy Minister of Finance
July 15, 2005

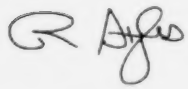
Management's Representation on Performance Information

105-06522/

We prepared the performance information reported in the *Measurement Results* sections for Goal 4 measures in accordance with the following principles.

The performance information is reliable. It is based on data that are accurate, complete, and available over a period of time that allows reasonable comparison and at a reasonable cost. It is derived from verifiable data that discloses limitations and is capable of being replicated by independent and knowledgeable observers.

The performance information is understandable. It provides the level of detail, language, and comparisons needed to enable a proper understanding of performance and is limited to a key set of measures comparable over time and aggregated at appropriate and meaningful levels.



Ron Styles
Deputy Minister

Len Rog
Assistant Deputy Minister

Department of Finance
Regina, Saskatchewan
June 28, 2005

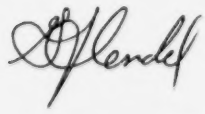
Auditor's Report on Performance Information

To the Members of the
Legislative Assembly of Saskatchewan

I have audited the performance information reported by the Department of Finance in the Measurement Results sections for Goal 4 of this Annual Report. The information is prepared in accordance with the principles for reliability and understandability described in management's representation on page 3. The information is the responsibility of the Department's management. My responsibility is to express an opinion on the reliability and understandability of the 2004-05 performance information based on my audit. Comparative information for prior years has not been audited. My audit was not designed to provide assurance on the appropriateness or relevance of the goals, objectives, or measures set by the Department of Finance.

I conducted my examination in accordance with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the performance information and related disclosures. An audit also includes assessing the principles used and the significant judgments made by management, as well as evaluating the overall presentation of the performance information.

In my opinion, the performance information reported by the Department of Finance in the Measurement Results sections for Goal 4 of this Annual Report is, in all material respects, reliable, understandable, and in accordance with the principles for reliability and understandability described in management's representation on page 3.



Fred Wendel, CMA, CA
Provincial Auditor Saskatchewan

June 30, 2005
Regina, Saskatchewan

Who We Are

The Department of Finance plays a unique role in the affairs of the Province of Saskatchewan. As a central agency, Finance is responsible for advising the Government on financial implications associated with its policy decisions. The Department, with direction from Treasury Board and Cabinet, manages and controls the finances of the Province to ensure appropriate use of public funds. It maintains a close working relationship with the federal government, other provincial governments and other government bodies within the Province to effectively address financial issues of mutual concern.

The Department of Finance is responsible for receiving and disbursing the majority of revenues for the Government of Saskatchewan. These include revenues from taxation and non-renewable resources, transfers from Government entities, such as Crown Investments Corporation of Saskatchewan, and transfers from the federal government. Revenues are disbursed through Finance to government departments to fund public services such as health care, education and road maintenance. To ensure an increasing level of government-wide accountability, Finance assists departments in implementing the Government's Accountability Framework.

These roles and responsibilities constitute the "behind the scenes" work of the Department. Finance also provides services directly to the public through delivery of the Saskatchewan Savings Bonds program, administration of provincial pension plans and employee benefit plans, administration of provincial tax programs, including the Provincial Sales Tax, and communication initiatives to keep the public informed on finance-related issues.

As of March 31, 2005, Finance employed 472 people trained in fields ranging from economics and accounting to information technology, human resources, public policy, commerce, communications and many other skilled and professional fields.

Core Business Areas

The Department provides the Minister of Finance, Treasury Board, Cabinet and the Government with information, analysis, advice and services in eight core business areas.

1. Revenue, Expenditure, Fiscal and Economic Policy

Finance supports effective government decision making by providing up-to-date information, policy analysis and advice to the Minister of Finance, Treasury Board, Cabinet and government departments. This includes financial and policy advice on budget decisions, updates on the Province's revenue and expense position, as well as information on general economic and social issues. Finance establishes and coordinates the budget development process to enable Treasury Board and Cabinet to make effective resource allocation decisions.

The Department is also responsible for working with the federal government on programs such as Equalization, the Canada Health and Social Transfers, the Canada Pension Plan, fiscal arrangements concerning First Nations in Saskatchewan and other federal-provincial programs.

As well, the Department houses the Saskatchewan Bureau of Statistics, which reports on provincial and national economic indicators.

2. Comptrollership/Financial Management

Finance assists the Legislature and the Government in controlling and accounting for the receipt and disposition of public money. Through the office of the Provincial Comptroller, the Department develops and maintains the government-wide revenue and expense systems and ensures that effective financial management and accounting procedures are in place. It also prepares and publishes financial accountability reports, including the Public Accounts.

The Public Accounts report on the Government's revenue and expense for the year and its financial position at the end of the fiscal year. The Department's internal audit function helps ensure that departments maintain appropriate financial and management controls and are properly accounting for their revenue and expense as authorized through government policy and legislation.

3. Revenue Operations

Finance administers several provincial government revenue and tax rebate programs. This work involves identifying and collecting tax revenues, conducting audits, issuing tax refunds and providing information related to tax and rebate programs.

4. Treasury and Debt Management

Finance borrows to meet the funding requirements of the Government, including Crown corporations and other government agencies. It manages the provincial debt and the cash position of the General Revenue Fund. It also provides an investment management service for various funds administered by the Government, Crown corporations and other agencies.

5. Performance Planning and Reporting

Finance is working to improve planning, budgeting, performance measurement and reporting practices across government. This includes the work of the Performance Management Branch (PMB), which plays a central role in the Government-wide accountability framework. The mandate of PMB is to develop and implement a "managing for results" approach within Executive Government that will improve performance. To this end, PMB works closely with other central agencies to coordinate planning work across government and with Executive Government Departments, and some Treasury Board Crown Corporations, to fully develop and implement strategic plans, performance measures and performance reporting mechanisms.

6. Personnel Policy Secretariat

Through the Personnel Policy Secretariat, the Department provides advice and analysis to the Cabinet Committee on Public Sector Compensation and coordinates implementation of Cabinet decisions.

7. Corporate Services

Finance provides direction, guidance and support for internal operations and client agencies. This work includes executive management and the management of communications, human resources, financial services, procurement, information technology, security and facilities.

8. Pension and Benefits Administration

The Public Employees Benefits Agency (PEBA) was created as a central body within the Department of Finance to administer pension and benefit programs for employees of the executive government, Crown corporations and Government-funded bodies.

As part of its mandate, PEBA ensures that adequate funds are in place for all plans, that the plans comply with legislation, and that the plans are administered in accordance with the prevailing governance system. Plan design is reviewed regularly to ensure that the needs of plan members and employers are addressed.

PEBA's operating costs are charged to each of the plans under its administration as an administrative cost. These costs are reported annually in the Public Employees Benefits Agency Revolving Fund Annual Report.

An annual report is prepared and tabled for each pension and benefit plan under PEBA's administration. For more information, go to **http://www.peba.gov.sk.ca** and click on the "publications" link.

Introduction

The Department of Finance's *2004-05 Annual Report* describes the actual results for key actions and performance measures that were published in the *2004-05 Performance Plan*, which was released in March of 2004 (available at **http://www.gov.sk.ca/finance/accountability/2005/Finance.pdf**).

Reporting on actual year-end results – both financial and performance – compared to the plan released at the start of the year increases accountability to the public. This year's annual report includes additional information on results as well as reporting on FTEs. These improvements to the annual report are tied to the continual implementation of the Government's Accountability Framework.

The Department of Finance's *2005-06 Performance Plan* was released with the provincial budget on March 23, 2005 (available at **http://www.gov.sk.ca/finance/accountability/2006/Finance.pdf**).

2004-05 Fiscal Year Results

2004-05 Results at a Glance

Summary of Performance Results

Key Results

Saskatchewan is fiscally strong and stable

- Achieved a balanced budget for the eleventh consecutive year.
- Government debt to GDP ratio is 18.8 per cent, the lowest ratio in 18 years.

Saskatchewan is a prosperous and socially responsible province

- Completed negotiations on a new income tax collection agreement with the federal government.
- Saskatchewan's personal taxes are 3rd and 4th lowest in the country for representative families.

Government is accountable for its revenues, expenditures and results

- Released Volume 1 of the 2003-04 Public Accounts on June 29, 2004.
- Released annual department performance plans with the budget for the first time in March 2004, improving the integration of financial and non-financial planning and reporting. Performance plans supplement the financial detail in the budget, giving MLAs and the public more and better information about what departments and agencies plan to achieve during the year and providing a solid foundation for year-end results reporting
- Completed phase-in of a performance-based approach to 2003-04 Annual Reports in July 2004 and increased financial reporting requirements for all departments and agencies included in government's Accountability Framework

Saskatchewan Finance provides excellent services to its clients

- The Saskatchewan Electronic Tax Service (SETS) was enhanced to allow fuel dealers the ability to file their application for a refund of Fuel Tax on exempt propane sales.
- The Department conducted a bi-annual survey of businesses collecting taxes on behalf of Government in 2004-05. The results of the survey indicated a high level of client satisfaction.

Summary of Financial Results

In 2004-05, the Department spent $37.2 million, down $0.2 million from the Budget Estimate. Spending for pensions and benefits increased $1.0 million from the Budget Estimate of $204.3 million due to negotiated funding for in-scope health care benefits.

In 2004-05, the Department collected $5,941.7 million in revenue, up $399.3 million from the Budget Estimate. The increase is primarily due to higher transfers from the Government of Canada.

The Department of Finance budgeted 446.0 FTEs for the 2004-05 fiscal year. The actual FTEs utilized during the year were 454.6, which is 8.6 over budget. The increase was primarily due to secondments for the MIDAS project.

2004-05 Performance Results

The key actions originally presented in our 2004-05 plan are shown below, followed by our actual progress for each. Actual results information is included for all key actions and performance measures that were published in our 2004-05 Performance Plan. Further information about Finance's performance measures are available within the 2004-05 Performance Plan, which can be found at the following website:
http://www.gov.sk.ca/finance/accountability/2005/Finance.pdf

Goal 1 – Saskatchewan is Fiscally Strong and Stable

Objective 1 – A sound financial plan

Fiscal strength and stability are important indicators for those who live in our Province, and those who are looking to invest. The Department contributes to the fiscal strength and stability of the Province through the development and implementation of a sound financial plan. Sound financial planning is a key component in assisting government decision-makers to develop and deliver annual budgets and effectively allocate public resources.

Sound financial plans are the result of combining detailed financial and economic information within a framework of appropriate assumptions, methods and processes. The Department of Finance develops the planning framework, implements the financial plan, and keeps the plan updated with current information and analysis.

Principal elements of the government's financial plan are the annual Budget and subsequent quarterly reports. These documents provide detailed information about revenue and spending plans for the fiscal year as well as changes to the plan throughout the year. The Department of Finance is responsible for producing economic and fiscal forecasts and financial analysis for the government's financial plan.

There were two significant events in 2004-05 that presented financial planning challenges. First, the government's financial situation was markedly and unexpectedly improved over the first half of the fiscal year. The improvement, totalling over $900 million, was the result of higher federal transfers and higher non-renewable resource revenue. The Department implemented the government's multi-year plan to allocate this new money to services for Saskatchewan people.

Additionally, the government adopted accrual accounting for government-owned capital assets. The Department implemented changes to financial systems and processes that were required by the change in accounting policy. The 2004-05 Budget and 2004-05 quarterly reports were prepared on a full accrual basis.

The largest single component of public expenditures relate to compensation of public sector employees; therefore, working to negotiate collective agreements between public sector employers and their respective unions that are fair to both employees and taxpayers is an ongoing part of a sound financial plan. While several important collective agreements were successfully negotiated during 2004-05 that held compensation costs down below the rate of inflation, the Province's improving financial picture made this objective more difficult to achieve as the year went on.

Key Results

- Issue timely economic and fiscal forecasts, reports and analysis, as well as fiscal strategies and options, to achieve the Government's financial plan within *The Balanced Budget Act* and *The Fiscal Stabilization Fund Act*. [2004-05 planned result]
  - Economic and fiscal forecasts were provided in the Budget and Mid-year Financial Report and, in addition, fiscal forecasts were provided at the first and third quarter.
  - Throughout the year, Cabinet and Treasury Board were provided with analysis, strategies and options as required.
- On an ongoing basis, operate a budget process that provides decision-makers with realistic program options and the information necessary to analyze those options. [2004-05 planned result]
  - In 2004-05, as in previous years, Finance provided Ministers with detailed, high-quality analysis and recommendations with which they could make well-informed budget and program decisions. Timely decisions were made and the 2005-06 Budget was released on March 23, 2005.
- On an ongoing basis, optimize the Government's cost of borrowing through:
  - strategic financing
  - cash management
  - debt administration and foreign exchange and risk management. [2004-05 planned result]
  - The Province borrowed $986.5 million for both the Crown corporation sector and general government purposes. Of this, $963.5 million was raised in capital markets and $23.0 million was raised through the sale of Saskatchewan Savings Bonds to Saskatchewan residents.
  - The Province entered into foreign exchange contracts to reduce foreign exchange risk on $US474.0 million US dollar denominated government purpose debt, thereby eliminating all foreign exchange risk for government purpose debt by March 31, 2005.

- On an ongoing basis, work to achieve fair and responsible public sector compensation and broad human resource management. [2004-05 planned result]
  - The Personnel Policy Secretariat (PPS) provided the necessary research and advice to the Cabinet Committee on Public Sector Compensation so that bargaining guidelines for public sector employers could be established.
  - PPS worked with public sector employers (outside of the Commercial Crown Corporation sector) on an ongoing basis so that collective bargaining agreements could be negotiated within the established bargaining guidelines. During 2004-05, 28 public sector collective agreements covering 43,000 full-time equivalent employees (FTEs) were up for negotiation. During this period nine collective agreements covering almost 12,000 FTEs were successfully concluded
- Introduce a Summary Financial Plan in the 2004-05 Budget and include summary financial information in the quarterly reports. [2004-05 planned result]
  - After consulting with the Provincial Auditor, Crown Investments Corporation, other government organizations and other jurisdictions, Finance developed a summary financial plan template that agreed in principle to the model recommended by the Provincial Auditor, but recognized the unique governance structure in Saskatchewan and the bottom-line volatility of not-for-profit insurance organizations.
  - The Summary Financial Budget for 2004-05 was published in the '2004-05 Saskatchewan Provincial Budget - Budget and Performance Plan Summary' document.
  - Again in 2005-06, the Summary Financial Budget was published in the '2005-06 Saskatchewan Provincial Budget – Budget and Performance Plan Summary' document.
- Implement amortization of capital expenses in the 2004-05 Budget. [2004-05 planned result]
  - During 2003-04, revised thresholds and estimated useful lives were established for government-owned capital assets. Departments retroactively restated their accounting information for the new thresholds and useful lives and prepared their 2004-05 budgets on this basis. Revised accounting and reporting policies were prepared for the Financial Administration Manual, and capitalization and amortization of government-owned capital was implemented April 1, 2004.

Measurement Results

Government Debt to GDP Ratio

Investor confidence is influenced by this ratio because it provides a measure of the Province's debt relative to the size of the economy.

This measurement ties to the goal "Saskatchewan is fiscally strong and stable" by focusing on both the size of the economy and the level of Government debt. One facet of the Government's financial plan is to manage Government debt levels.

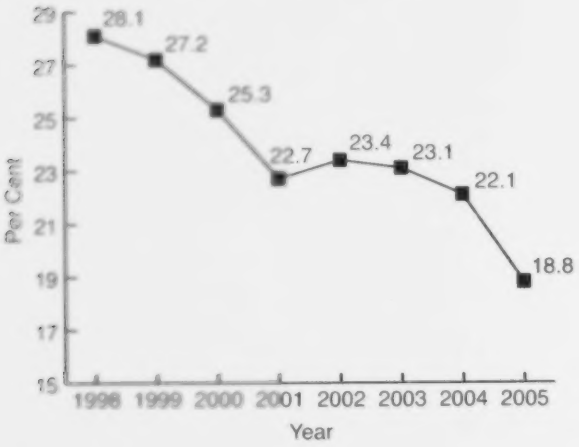
The Public Accounts at March 31, 2005 showed a Government debt to GDP ratio of 18.8 per cent, a drop of 3.3 percentage points from the March 31, 2004 level of 22.1 per cent. This is the lowest debt to GDP ratio in 18 years.

Since 1993, Government debt as a percentage of GDP has declined significantly. At March 31, 1993, the debt to GDP ratio was 41.6 per cent, 22.8 percentage points higher than the current ratio.

This ratio is influenced by the state of the global, North American and Canadian economies as well as the level of government debt.

This ratio is calculated by dividing GDP for the previous calendar year by the level of Government debt at March 31. Debt is gross debt net of sinking funds plus guaranteed debt. Gross debt is the amount owed directly to lenders and sinking funds are funds set aside for the repayment of that debt. Guaranteed debt is the debt of others that the Province has promised to repay if they are unable to do so. Government debt is debt borrowed to finance Government programs as opposed to debt borrowed for, and repayable by, Crown corporations. GDP, or gross domestic product, is the total value of all goods and services produced in the economy. Nominal GDP is used for this calculation.

Government Debt and Guaranteed Debt as a % of GDP
Source: Saskatchewan Public Accounts and Saskatchewan Provincial Economic Accounts



Credit Ratings

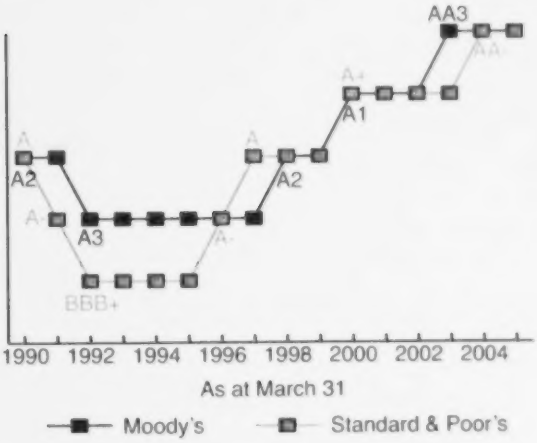
A credit rating is an independent evaluation by a recognized objective agency of a borrower's willingness and ability to service and repay debt.

Investors rely on credit ratings when making investment decisions. Many investors have guidelines that are based on credit ratings (e.g., must purchase bonds rated "AA" or higher). Therefore, a borrower's credit rating will impact the availability of credit, both in terms of the number of investors and the pool of funds it can tap.

Over the past nine years, the Province has received 11 credit rating upgrades as the Province's debt and financial position improved. In 2004-05, the Province received an upgrade to "AA-" by Standard & Poor's which resulted in both U.S. based credit rating agencies rating the Province at the "AA" level. This is extremely important to international investors, many of whom have a "AA" credit rating requirement for investment. This is the first time since 1985-86 that the Province has been rated at the "AA" level by both U.S. agencies.

Factors used to determine the Province's credit rating include Government structure and intergovernmental relations; economic, budgetary and financial performance; policy direction and overall Government management ability.

Credit Ratings for Saskatchewan
Source: Moody's Investors Service and Standard & Poor's



Goal 2 – Saskatchewan is a Prosperous and Socially Responsible Province

Objective 1 – A simple, fair, competitive tax structure

A simple, fair and competitive tax structure promotes prosperity, while enhancing social responsibility, by ensuring adequate resources for the delivery of important public services. Competitive taxes are a key feature in Saskatchewan's ability to compete for jobs and investments. However, taxation is only one of many factors that can influence the relative prosperity and social responsibility of the Province.

The tax system's primary objective is to raise the necessary revenues required to finance key public services like health care, education and highways. Tax levels are therefore dependent on the Government's revenue requirements. Saskatchewan's tax levels are held as low as possible while ensuring adequate resources to pay for services and to maintain the financial stability of the Province.

The Department of Finance completed all of the commitments that were described under this objective in the Department's 2004-05 Performance Plan. These included implementing Government initiatives to improve the Province's business tax competitiveness and to enhance various tax incentive measures for Saskatchewan residents. The Department also completed the negotiation of a new agreement with the federal government governing the administration of Saskatchewan's personal and corporate income taxes.

Key Results

- Improve the competitiveness of Saskatchewan small business corporations by lowering the small business Corporate Income Tax rate from 5.5 per cent to 5.0 per cent effective January 1, 2005. [2004-05 planned result]
  - Legislative amendments to implement the small business tax rate reduction were passed into law on June 27, 2003.
- Improve business tax competitiveness by expanding the incremental Corporation Capital Tax exemption, which depends upon the extent of a company's business presence in Saskatchewan, from $17.5 million to $20.0 million effective January 1, 2005. [2004-05 planned result]
  - Regulatory amendments to implement the expansion of the incremental CCT exemption were passed on July 11, 2003.
- Increase the Post-Secondary Graduate Tax Credit from $350 to $500 in 2004. Further increases will be phased in until the tax credit reaches $1,000 in 2007. [2004-05 planned result]
  - Legislative amendments to implement the increases to the tax credit were passed into law on June 17, 2004.
- Complete federal-provincial negotiations on revised income tax collection agreements. [2004-05 planned result]
  - A new *Canada-Saskatchewan Tax Collection Agreement* was signed by Saskatchewan on February 2, 2005.
- Continue to monitor:
  - the tax systems of other jurisdictions
  - the revenue requirements of the Government [2004-05 planned result]
  - This work is on-going and is reported to the Minister of Finance and the Treasury Board as part of the annual budget-development cycle.

In addition to progress made on planned actions, other key results include:

The PST rate was increased from six per cent to seven per cent, effective April 1, 2004, and the SSTC was enhanced, effective July 1, 2004. The legislative amendments to implement these changes were passed into law on June 17, 2004.

Measurement Results

The performance measures described below attempt to provide an indication of the fairness and competitiveness of Saskatchewan's personal taxes. The measures are prepared on a calendar year basis to coincide with the typical taxation year for income tax purposes. In 2004, the measures were impacted by the partial-year effect of the increase in the PST rate from six per cent to seven per cent on April 1, 2004 and the enhancement of the SSTC on July 1, 2004.

The calculations upon which the performance measurements are based are performed by the Department of Finance using internal tax simulation calculations. Each of the measures is based on a determination of combined provincial income and sales taxes payable by representative family profiles.

For each family profile, provincial income taxes are calculated based on the following assumptions:

- each family has two dependent children;
- for the two-income family, one spouse earns 60 per cent of the total income and the other earns 40 per cent;
- the single parent family and the two-income family claim $3,000 in deductible child care expenses;
- each family claims be available basic personal exemptions, dependent child credits and credits for Canada Pension Plan and Employment Insurance contributions; and,
- for the purposes of interprovincial tax comparisons, Quebec's income tax calculations are adjusted for the child care expense tax credit and the 16.5 per cent federal tax abatement.

In addition, provincial sales taxes are calculated based upon average family expenditure baskets from the *Survey of Family Expenditures in 1996* (Statistics Canada). The sales tax base in each province is identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. Provincial sales taxes are then estimated based on taxable expenditures in each province. Refundable provincial income tax credits designed to reduce the impact of sales taxes are netted from the sales tax calculations.

Income and sales taxes paid by representative taxpayers

Saskatchewan's tax levels for representative taxpayers provide an indication of the amount of after-tax or disposable income available to residents. Declining tax levels are therefore suggestive of improvements in the relative prosperity of residents.

In 2004, income taxes for each the representative profiles declined as a result of the indexation of the income tax system (the indexation factor for 2004 was 3.3 per cent). However, this decline was offset by the increase in the PST rate. For the single parent family earning $25,000, the enhancement of the SSTC mitigated much of the PST increase.

Saskatchewan Income and Sales Taxes Paid by Representative Taxpayers

	2000	2001	2002	2003	2004
Single parent family earning $25,000	$ 862	$ 691	$ 619	$ 560	$ 515
One-income family earning $50,000	$5,446	$4,486	$4,284	$4,005	$4,007
Two-income family earning $75,000	$7,417	$6,983	$6,721	$6,390	$6,432

Source: Department of Finance, Tax Simulation Models

Inter-provincial tax comparisons for selected average family profiles

Saskatchewan's interprovincial ranking with respect to the tax levels of representative taxpayers is indicative of the competitiveness of our tax system. This measure can be significantly impacted by tax changes initiated in Saskatchewan and by tax changes occurring in other provinces.

Despite the increase to the PST rate in 2004, Saskatchewan's tax competitiveness relative to other provinces did not change, and even improved for low-income families as a result of the SSTC enhancements.

Saskatchewan's Tax Competitiveness Rankings for Representative Taxpayers

	2000	2001	2002	2003	2004
Single parent family earning $25,000	5th	5th	4th	4th	3rd
One-income family earning $50,000	5th	4th	4th	4th	4th
Two-income family earning $75,000	4th	4th	4th	4th	4th

Source: Department of Finance, Tax Simulation Models

Tax progressiveness index

The tax progressiveness index measures relative tax levels between different income levels and provides an indication of how progressive, or fair, the provincial tax system is; the higher the index, the more progressive the tax system. The measure compares the income and sales taxes payable by a one-income family earning $100,000 with the taxes payable by a one-income family earning $25,000.

In 2004, the provincial income and sales taxes payable by the higher income family is 20.2 times greater than the taxes payable by the lower income family. The increase from 2003 is caused by the increase in the PST for both families, offset by the increase in the SSTC for the lower income family. This increase in the progressiveness index demonstrates that the combined effect of these two tax measures improved the progressiveness, or fairness, of Saskatchewan's personal tax system.

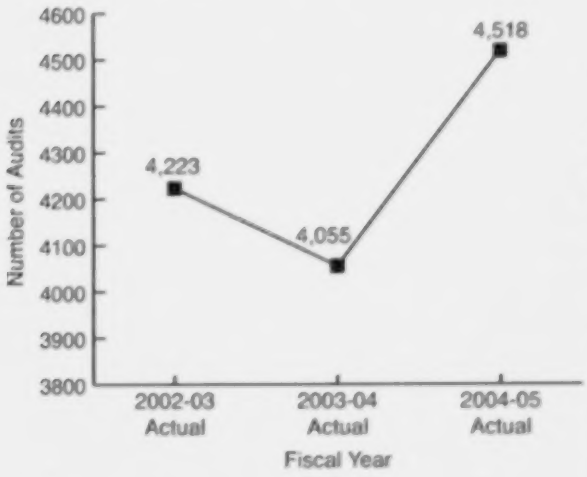
Saskatchewan's Tax Progressiveness Index

2000	2001	2002	2003	2004
12.0	15.0	17.1	18.3	20.2

Source: Department of Finance, Tax Simulation Models

Number of audits conducted on businesses liable for taxes under the statutes administered by Finance

Number of Audits Conducted on Businesses
Source: Department of Finance, Revenue Division Actuals Tracking System



The number of audits completed has increased over the past three years as indicated in the above graph. During 2004-05, 4,518 audits were conducted on businesses paying or collecting taxes administered by Finance. This number increased from 2003-04 when 4,055 businesses were audited.

The number of audits is derived from the Revenue Division's Actuals Tracking system. The system accumulates the weekly activities from the various work units throughout Revenue Division. The data is driven by weekly timesheets prepared by each employee.

The number of field audits has increased over the past few years. In 2004-05, the Audit Branch achieved a coverage rate of 3.9 per cent of the tax roll, up from 2003-04 when 3.7 per cent coverage was achieved. The percentage of coverage ratio has consistently been an important indicator for the Audit Branch. The targets and results are designed to reflect a level of enforcement that serves to educate taxpayers about their tax responsibilities and promote tax fairness, that is, the tax is applied fairly and consistently to all taxpayers.

Staff turnover can significantly affect the number of audits conducted in any particular year. Assuming no significant changes in the number of auditors, the number of audits conducted in 2005-06 should remain relatively stable at the 2004-05 level.

Goal 3 – Government is Accountable for Its Revenues, Expenditures and Results

Objective 1 – Effective government financial reporting

Continued strong financial reporting is key to strong accountability. Timely, reliable and relevant financial information provides the necessary accounting for the receipt and spending of public funds. It provides the public with the means to evaluate government performance.

The Department of Finance prepares the General Revenue Fund financial statements and the Summary financial statements, which are released in Volume 1 of the Public Accounts. The Department continues to provide effective government financial reporting through timely, reliable and relevant financial statements.

Key Results

- Prepare and release the Province's Public Accounts by August 1. [2004-05 planned result]
  - Volume 1 of the 2003-04 Public Accounts was released on June 29, 2004.
- Prepare financial statements in accordance with Public Sector Accounting Board (PSAB) standards and work with the Provincial Auditor to resolve differences in opinion. [2004-05 planned result]
  - There were three audit qualifications on the General Revenue Fund's 2003-04 financial statements.
  - In 2003-04, the Summary financial statements received a clean audit opinion for the eleventh consecutive year.

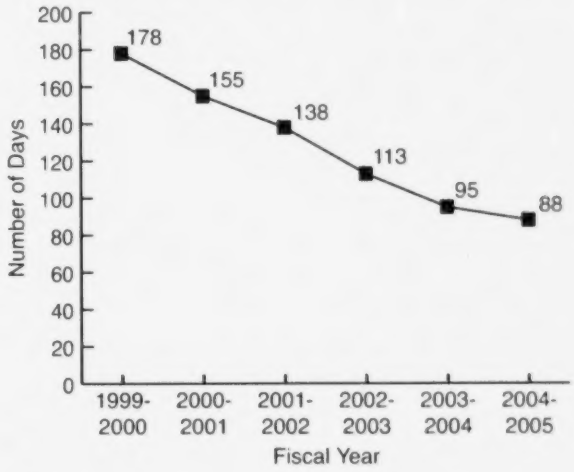
- Monitor the activities of the PSAB of the Canadian Institute of Chartered Accountants. Implement new standards as soon as approval to do so is obtained. [2004-05 planned result]
  - All PSAB activities are being monitored closely and feedback has been provided to PSAB on documents issued by PSAB for comment.
  - All PSAB recommendations have been implemented in the Summary financial statements. One recommendation, recording pensions on an accrual basis, remains unimplemented in the GRF. In addition, transfers to (from) the Fiscal Stabilization Fund are recorded as expenses (revenues) in the GRF.
- Prepare and release quarterly financial reports. [2004-05 planned result]
  - Financial reports were released at the end of the first, second and third quarters.

In addition to progress made on planned actions, other key results include:

Prior to amending *The Tabling of Documents Act, 1991*, entities were required to table their financial statements within 210 days of their year-end. In addition, the Legislature had to be sitting for the statements to be tabled. This meant that entity financial statements were often not available to the public on a timely basis. With the proclamation of an amendment on June 21, 2000, entities now have 120 days to table their financial statements, regardless of whether or not the Legislature is sitting.

On behalf of Treasury Board, the Provincial Comptroller provides approval in advance of the tabling of financial statements. Approval of financial statements by the Provincial Comptroller contributes to timely, reliable and relevant financial reporting by Treasury Board Crowns and agencies. In 2004-05, the average number of days between entities' year-end and the approval of their financial statements was 88 days; in 2003-04, it was 95 days. As the following graph shows, the average number of days between the entities' year-ends and approval by the Provincial Comptroller has decreased significantly.

Days to Approval of Financial Statements
Source: Department of Finance, Provincial Comptrollers Division



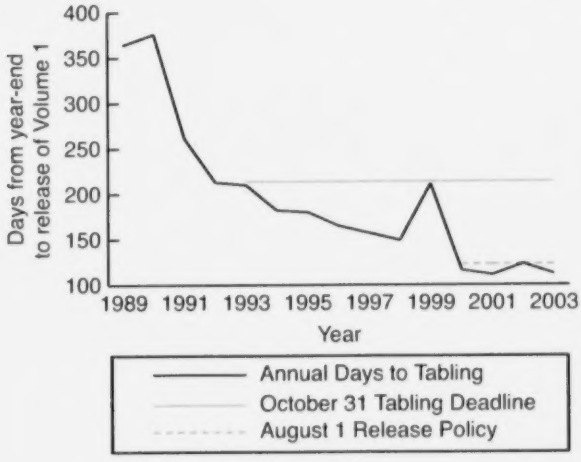
In addition, in 2004-05, 81 per cent of entities met the tabling deadline of 120 days. In 2003-04, 87 per cent of entities met their tabling deadline.

Measurement Results

Date that Volume 1 of the Public Accounts is released

Timeliness of the financial statements contributes to the Government's accountability. In 2000, the Government established a practice of tabling Volume 1 of the Public Accounts on or before August 1. Volume 1 of the 2003-04 Public Accounts was released on June 29, 2004. The 2002-03 Public Accounts were released on July 21, 2003. The following chart shows how timeliness of the Public Accounts has improved over the past fifteen years.

Timeliness Trend
Release of Volume 1 of the Public Accounts
Source: Saskatchewan Public Accounts



Volume 1 of the 2002-03 Public Accounts was released on July 21, 2003. In 2001-02, the Public Accounts were released on August 1, 2002.

Number of audit qualifications on the Province's General Revenue Fund financial statements and on the Summary Financial Statements

Reliability of the financial statements contributes to the Government's accountability. Financial statements with few (or no) audit qualifications are considered more reliable than those that have many.

The General Revenue Fund financial statements and the Summary financial statements are reliable. Although the Department has some ability to resolve issues on which the Provincial Auditor believes qualifications are necessary, the Provincial Auditor expresses an independent opinion on the statements. Professional judgment is involved due to the complexity of the issues.

The General Revenue Fund's 2003-04 financial statements had three audit qualifications (2002-03 financial statements: three audit qualifications). The first audit qualification for 2003-04 relates to the treatment of transfers between the GRF and the Fiscal Stabilization Fund. The second relates to valuation of certain loans to Crown corporations. The third relates to the pension liability that is not recorded. The first and third qualifications have appeared in previous years' audit opinions.

There were no qualifications on the Summary Financial Statements for 2003-04 or in previous years.

Number of Public Sector Accounting Board (PSAB) standards that have not been implemented in the General Revenue Fund Financial Statements and in the Summary Financial Statements

Relevance of the financial statements contributes to the Government's accountability. Financial statements that comply with PSAB standards are considered more relevant than those that do not.

The General Revenue Fund financial statements and the Summary financial statements are relevant. All PSAB recommendations have been implemented in the Summary financial statements for 2003-04 and 2002-03. One recommendation, recording pensions on an accrual basis, remains unimplemented in the GRF for 2003-04. The Government's GRF financial statements continue to disclose the pension liability in the notes and expense actual cash payments to retired plan members and cash contributions to its pension plans.

During 2004-05, the Province completed the work to implement PSAB's recommendations for amortizing capital assets effective April 1, 2004, one year in advance of the required implementation date. As well, work started on implementing PSAB's new reporting entity recommendations, which will be implemented in 2005-06 as required by PSAB.

PSAB has undertaken a large project to revise the recommendations related to government transfers (grants). Transfers represent the single largest expense of governments. There are currently differences in accounting treatment for transfers across jurisdictions as well as widespread disagreement on the appropriate treatment between financial statement preparers and auditors. The results of this project could have a significant impact on the timing of transfer expenses and revenues for governments. During the year, PSAB's progress on this project has been closely monitored and feedback provided on various documents issued for comment. The project is expected to continue until 2006-07.

Objective 2 – Effective government-wide financial management practices

Effective government-wide financial management practices are essential to the operation of government. The Department of Finance is committed to a high standard concerning financial systems and practices for managing public resources and achieving fiscal accountability. The Department provides direction to and works with other departments and agencies to ensure appropriate financial management practices are employed.

In December 2004, the departments of Community Resources and Employment and Environment each reported an incident of suspected significant irregularities by an employee. The Provincial Comptroller's office has been working closely with both departments and believes that deficiencies detected as a result of these incidents are being appropriately addressed.

Key Results

- On an ongoing basis, develop, implement and monitor financial policies and procedures for the Government. [2004-05 planned result]
  - On June 10, 2004 *The Financial Administration Amendment Act, 2004* was passed. Key amendments that demonstrate a commitment to sound financial management, transparency, accountability and controlled spending include provisions for: interim funding beginning April 1 of each year, based on one-twelfth of the previous year's estimates, net budgeting in the General Revenue Fund in certain, limited situations, and for departments to provide services to, or administer grants for other departments.
  - The Financial Administration Manual (FAM) communicates to departments and public agencies Treasury Board's policies and the Provincial Comptroller's directives for the control, management and accounting of government financial resources. These policies and directives are made pursuant to *The Financial Administration Act, 1993*. In 2004-05, new sections in FAM were provided for net budgeting, shared services and shared grants or programs. In addition, updates to FAM were made to explain the new capital asset and inventory reporting as a result of adopting accrual accounting for capital assets starting in 2004-05.
  - In December 2004, the departments of Community Resources and Employment and Environment each reported an incident to the Provincial Comptroller of suspected significant financial irregularities by an employee. The Provincial Comptroller's office has been working closely with both departments and believes that deficiencies detected as a result of these incidents are being appropriately addressed.
- Through our cyclical risk analysis process, we plan to assess the internal controls on approximately 130 financial programs/systems. Where improvements are required, effective solutions will be recommended for implementation. [2004-05 planned result]
  - For the fiscal year 2004-05 we have assessed the internal control risk on 138 financial programs/systems. All detected significant internal control weaknesses have been or are being adequately addressed.
- On an ongoing basis, ensure spending related to the General Revenue Fund is maintained within approved limits. [2004-05 planned result]
  - Appropriation Accounts have been maintained on a consistent basis with previous years.
- As part of MIDAS (Multi-Informational Database Applications) Phase 2, implement the fixed assets module to support the management of Capital Assets in the Government. [2004-05 planned result]
  - The fixed assets module was implemented April 1, 2005 to support the new department of Property Management. Once this department is functioning properly using the fixed assets module, the remaining departments in Government will be given the option to use the module during 2005-06.
- As part of MIDAS Phase 2, re-evaluate workflow and self-service expenses as they may be more effective if implemented with human resources. [2004-05 planned result]
  - It is more effective to use the structures that will be built with the HR/Payroll Phase of the project to support the workflow and self-service expenses. Thus, this functionality will be added in the 2006-07 fiscal year once the MIDAS Human Resource component is implemented.

- As part of MIDAS Phase 3, (having a timeline of October 2003 to April 2006), continue with project activity to complete the analysis and design stages of the project. [2004-05 planned result]
  - Treasury Board approved an extension of the project to allow for a more thorough analysis of the HR/Payroll issues. The implementation date has been rescheduled to January 1, 2006. The project remains within budget.

In addition to progress made on planned actions, other key results include:

- Saskatchewan Property Management Corporation has been integrated into the Government financial systems as a department effective April 1, 2005.

Measurement Results

Number of significant deficiencies that were detected but not appropriately addressed by the affected departments.

In order to achieve the objective of effective Government-wide financial practices, departments must appropriately address all significant deficiencies that are detected. A significant deficiency is an internal control deficiency that adversely affects the Government's ability to safeguard its assets and record, process or report financial data reliably. Finance develops and implements financial policies and procedures and conducts internal control reviews to monitor for significant deficiencies in financial programs/systems. This measure will indicate if any significant deficiencies that were detected were not appropriately addressed.

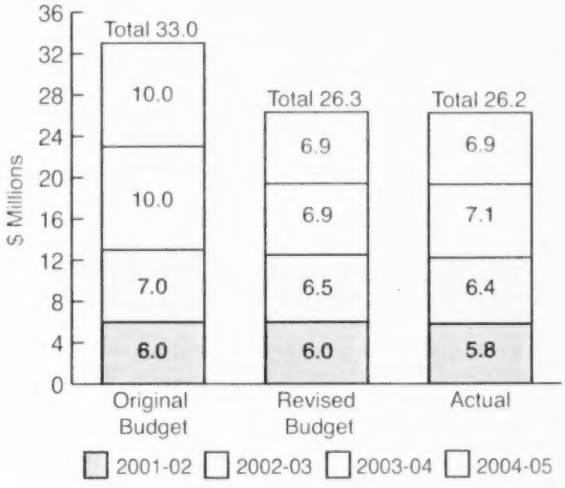
During the past five years, the affected departments appropriately addressed all detected significant deficiencies.

Source: Department of Finance, Internal Control Reviews

The successful completion of the Base Financial System replacement on time and within budget.

The central system replacement project called MIDAS is a multi-year, multi-phase project. During the 2003-04 fiscal year, the Base Financial components and the forecasting module were implemented, and the HR/Payroll phase of the project was started. As the following chart shows, the project is under budget over the first four years.

MIDAS Budget/Actual Comparison by Year
Source: Saskatchewan Public Accounts



The Fixed Assets module was implemented April 1, 2005

The HR/Payroll phase continued during the 2004-05 fiscal year with a planned implementation date of January 1, 2006. The project analysis and detail design was completed during 2004-05. The workflow and self-service expenses were re-evaluated and this functionality will be added in the 2006-07 fiscal year once the MIDAS Human Resource component is implemented. The following chart shows the project continues to operate within the original budget.

- As part of MIDAS Phase 3, (having a timeline of October 2003 to April 2006), continue with project activity to complete the analysis and design stages of the project. [2004-05 planned result]
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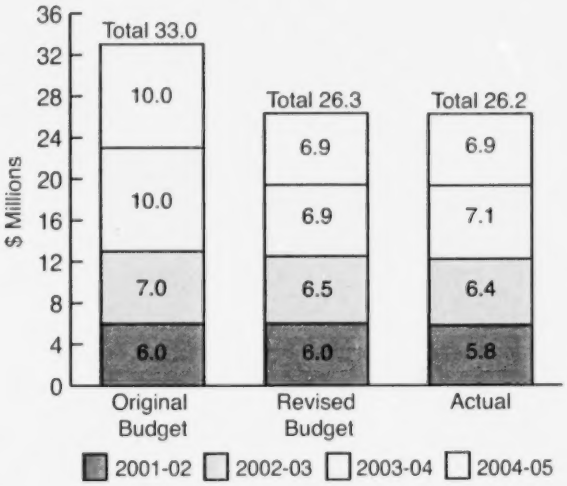

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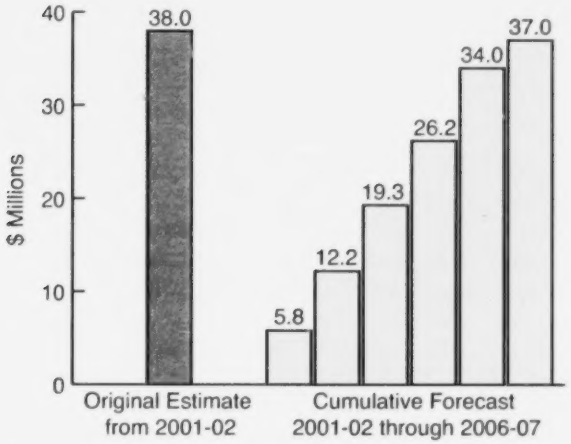
MIDAS Original Project Budget
Compared to Current Cumulative Forecast
Source: Department of Finance, MIDAS Project Plan



Objective 3 – Effective performance planning, management and reporting

The key means by which Finance is pursing this objective is continued implementation of Government's Accountability Framework (**http://www.gov.sk.ca/finance/accountability/default.htm**). A rigorous planning, performance measurement and reporting process provides the foundation for enhanced accountability from departments back to decision-makers and the public. It ensures that departments remain focused on the needs and expectations of the people they serve and increases public understanding of government's plans and, at year-end, its financial and non-financial results.

Departments and some other Treasury Board entities are now in a regular process of releasing plans at the start of the year that outline the results they intend to achieve and how they will spend their funds. At year-end, they are expected to report back on key actions, public commitments, performance measures and financial results in a balanced and rigorous way.

To be effective, performance plans and annual reports must be timely, complete and accurate.

Reporting is now timely – department performance plans are released with the budget, four months earlier than in the past; department annual reports are released within 120 days of the end of the fiscal year; a mid-year progress report on key government budget commitments is included in the annual Mid-Year Report; and all plans and reports are available on the Department of Finance's website.

Performance planning and reporting now includes more government entities and more complete information within both plans and reports. Twenty departments and agencies released 2004-05 Performance Plans and 18 released performance-based 2003-04 Annual Reports, giving MLAs and the public more information about what these organizations planned to achieve and actually achieved during the year. As well, additional financial reporting expectations were introduced for 2003-04 Annual Reports, leading to new and enhanced disclosures around department revenues, special funds, revolving funds and loans and guaranteed debt.

Over the coming year, Finance will focus on helping departments to ensure their performance reporting is accurate by developing guidance on data collection and validity.

As the lead department, Finance works to build capacity within government, sets expectations and supports departments in their planning and measurement work. Over time, the result should be better information for managers and decision-makers, enhanced accountability both internally and publicly, and ultimately, improved government performance. A report on results associated with our 2004-05 action plan follows.

Key Results

- Implement next steps in a phased approach to public reporting of department performance plans and results:
  - Improve timeliness by releasing 2004-05 department performance plans with the budget [2004-05 planned result]
    - 2004-05 Performance Plans for 15 departments, three Treasury Board Crown corporations and two key cross-government strategies were released on March 31, 2004 with the 2004-05 budget, four months ahead of the previous year. This marked the first time that departments have released consistent, comprehensive performance plans at the start of the year. The performance plans provide more information to MLAs and the public about what departments intend to accomplish during the year and serve as the basis for reporting on actual results, in annual reports, at the end of the year
    - In addition, 2005-06 Performance Plans were released with the 2005-06 Budget on March 23, 2005 for 16 departments, two Treasury Board Crown corporations and two key cross-government strategies.
  - Report on actual results associated with all key budget commitments in department annual reports, by the end of July 2004 [2004-05 planned result]
    - In Finance's *Content Requirements for 2003-04 Annual Reports*, departments and agencies included in Government's Accountability Framework were required to report on all 2003-04 department-specific Government commitments in *Our Plan for 2003-04* (the government-wide summary plan tabled with the 2003-04 Budget) as well as all other commitments made during the year
    - This is part of Finance's continued effort to improve the consistency and rigour of results reporting by departments. As departments make performance commitments, both in the budget at the start of the year and during the year, they are now expected to track and, at year-end, report on their actual results as compared to the original commitment.
  - Continue to add and improve content of department annual reports, based on the Canadian Comprehensive Auditing Foundation (CCAF) reporting principles. Areas of focus for the coming year include data quality, explaining the roles, responsibilities and accountabilities of key third party service delivery partners and improving the integration of financial and performance reporting [2004-05 planned result]
    - Finance's *Content Requirements for 2003-04 Annual Reports* contained significantly enhanced financial reporting requirements, including new and enhanced disclosures associated with departmental revenue, revolving funds, and loans and guaranteed debt. In addition, departments continued to report on their actual compared to budgeted expenditures. The result is a more comprehensive picture of each department's financial situation at year-end. Departments are also required to describe their key partners, disclose and describe actual funding provided to third parties and describe the impact that third parties had on their performance results, if applicable. See below for a discussion of work on data quality.
  - Develop guidance for departments on data validity/verification/controls [2004-05 planned result]
    - Planned enhancements to improve reported disclosures associated with the credibility of performance information originally planned for 2003-04 Annual Reports were deferred to give departments adequate time to ensure they have internal processes and procedures in place; implementation is now planned for 2005-06 Annual Reports.
- Prepare and publish a government-wide summary plan for 2004-05 and publish an update on progress with the Mid-Year Report. [2004-05 planned result]
  - A *2004-05 Performance Plan Summary* for Government was released with the budget on March 31, 2004 and a mid-year progress report was included in the 2004-05 *Mid-Year Report*, released on November 16, 2004.
  - A *2005-06 Performance Plan Summary* was released with the budget on March 23, 2005 and a mid-year progress report will again be included in the fall 2005 *Mid-Year Report*.

- Continue building capacity for performance management and reporting, focusing on operationalizing a planning, measurement and reporting approach to management. [2004-05 planned result]
  - Finance makes resource information, expectations for departments and agencies and related material available through our Accountability Framework website (**http://www.gov.sk.ca/finance/accountability/default.htm**). During 2004-05, a number of enhancements were made, including posting all 2004-05 Performance Plans and 2003-04 Annual Reports, updating reporting guidelines and content requirements, providing more extensive examples of good performance reporting and updating the "What's New" section.

In addition to progress made on planned actions, other key results include:

- Worked with the Information Technology Office (ITO) and the Saskatchewan Communication Network (SCN) on development of their first strategic plans using the Accountability Framework guidelines; both the ITO and SCN performance plans are expected to be released in 2005-06.
- Worked with the Provincial Auditor's Office on development of a set of audit criteria for the Auditor's assessment of departments' 2003-04 Annual Reports. The Auditor concluded: "We found that the agencies' public plans and annual reports for the year ended March 31, 2004 contain most of the current content requirements of the Department of Finance's reporting guidelines. The reports provide more performance information than they did previously and thus enhance the agencies' public accountability." [2004 Report, Volume 3, page 296]

Measurement Results

Number of departments and Treasury Board Crown corporations that publicly release performance plans

15 departments
3 Treasury Board Crowns
2 interdepartmental strategies
[2004-05 Performance Plans]

Number of departments and Treasury Board Crown corporations that publicly release performance results reports

15 departments
2 Treasury Board Crowns
1 interdepartmental strategy
[2003-04 Annual Reports]

	2002-2003	2003-2004	2004-2005	Increase
Performance Plans				
• Departments	9	15	15	0
• Treasury Board Crown corporations	0	2	3	1
• Interdepartmental strategies	0	0	2	2
	2002-03	2003-04	2004-05	
	Performance Plans			
Performance Reports				
• Departments	0	9	15	6
• Treasury Board Crown corporations	0	0	2	2
• Interdepartmental strategies	0	0	1	1
	2001-02	2002-03	2003-04	
	Annual Reports			

Source: Performance Plans and Annual Reports, compiled by Performance Management Branch

A total of 20 departments and agencies released 2004-05 Performance Plans, an increase of three over the previous year. The departments and agencies that released plans for the first time in 2004-05 were: the Saskatchewan Watershed Authority, the *KidsFirst* Strategy and the Safe Drinking Water Strategy. All departments and agencies released their plans with the 2004-05 Budget on March 31, 2004, four months earlier than the previous year.

A total of 18 departments and agencies released 2003-04 Annual Reports in late July 2004, reporting back on the performance plans they released with the 2003-04 Budget. The increase of nine departments and agencies as compared to the previous year reflects the completion of a phased approach to implementing performance reporting within executive government. The departments and agencies that released performance-based annual reports for the first time in 2003-04 were: Community Resources and Employment; Culture, Youth and Recreation; Government Relations and Aboriginal Affairs; Industry and Resources; Learning; the Public Service Commission; the Saskatchewan Liquor and Gaming Authority; the Saskatchewan Property Management Corporation and the interdepartmental Safe Drinking Water Strategy.

All of these documents can be accessed through individual department or agency websites or though the Finance site at **http://www.gov.sk.ca/finance/accountability/default.htm.**

The performance management cycle – release of performance plans at the start of the year and annual results reports following the end of the year – is now well established. Tracking the number of departments and agencies that have moved to a performance planning and reporting approach is important in the early stages, but now that implementation is largely complete, the results for these measures are anticipated to stay relatively stable, with limited annual growth.

In future, the focus of Finance's measurement efforts will need to shift away from the number of participating entities and towards an evaluation of the quality and usefulness of the documents being produced and the effectiveness of government's performance management system.

Goal 4 – Saskatchewan Finance Provides Excellent Services to Its Clients

Objective 1 – Accurate and timely information and services

The Department is committed to serving its clients – individuals and businesses, government departments and decision-makers, and the public at large – with integrity and professionalism.

During 2004-05, the Department responded to individuals' questions and requests about tax information promptly while processing their refunds efficiently.

Key Results

- Conduct and report survey results for businesses collecting taxes. [2004-05 planned result]
  - 441 surveys were mailed to random businesses in 2004-05 and 159 surveys were completed and returned for a 36.1 per cent response rate. Overall satisfaction reported was 96.0 per cent. The percentage of businesses that were satisfied with the timeliness of responses and adjustments was 95.0 per cent.
- Respond to most requests for tax information within 24 hours and provide accurate information. [2004-05 planned result]
  - This action was met on a consistent basis.
- Process tax refunds within 21 days of receiving all required documentation. [2004-05 planned result]
  - Approximately 99 per cent of 2004-05 tax refunds occurred within the 21-day period.
- Continue to process PST rebates within four weeks of receiving applications, for people who have purchased EnergyStar compliant, energy-efficient appliances. [2004-05 planned result]
  - The majority of refunds are processed within four weeks. Effective April 1, 2005, the rebate has been converted to a point-of-sale exemption, thereby providing an immediate benefit to eligible purchasers.
- Begin implementation of interactive forms for public use. [2004-05 planned result]
  - The Saskatchewan Savings Bond form was successfully implemented as an interactive form for public use.

Measurement Results

Per cent of businesses, which collect taxes on behalf of government, that are satisfied with the Department's quality of service

In 2002-03, the Department committed to conducting bi-annual client satisfaction surveys of businesses collecting taxes on behalf of Government. This allows businesses to evaluate the Department's performance and helps the Department determine how its quality of service may be improved.

Quality of service is the reported level of client satisfaction with the Department's performance including ease of obtaining tax information, helpfulness of staff, usefulness of tax bulletins and internet site, ease of filing returns, and timeliness of responses. The Department surveys two groups of businesses using two surveys (non-audit and audit). Non-audit surveys[1] are sent to a random sample of businesses that collect Provincial Sales Tax, Fuel Tax, Tobacco Tax, and Corporation Capital Tax. Audit surveys[2] are sent to a random sample of businesses the Revenue Division has audited within a year of the date that the survey is conducted. The results of the two surveys are weighted, combined, and reported as an overall measure of quality of service.

The 2004-05 client satisfaction surveys were conducted by the Department of Finance in July 2004. Non-audit surveys were sent to 376 businesses with a response rate of 31.1 per cent. Audit surveys were sent to 65 businesses with a response rate of 64.6 per cent. The results indicated that 96.0 per cent of businesses that collect taxes on behalf of the Government are satisfied with the Department's quality of service. This compares with a 93.5 per cent satisfaction rate in the 2002-03 client satisfaction survey using the same measure and questionnaire.

The results of the 2002-03 and 2004-05 surveys significantly exceeded the target of 85 per cent for this measure. Prior to the 2006-07 client satisfaction survey, Revenue Division intends to re-evaluate the appropriateness of the survey questions and the methodology used in the survey process.

Per cent of businesses, which collect taxes on behalf of government, that are satisfied with the Department's timeliness of responses, refunds and adjustments

In 2002-03, the Department committed to conducting bi-annual client satisfaction surveys of businesses collecting taxes on behalf of Government. This allows businesses to evaluate the Department's performance and helps the Department determine how its timeliness of responses, refunds and adjustments may be improved.

Timeliness of service is defined as the reported level of responsiveness of the Department's performance including timely repsonse to client inquiries, tax adjustments and refunds. The survey questions related to the Department's timeliness of responses, refunds and adjustments are a subset of the questions included in the non-audit surveys' that are sent to a random sample of businesses that collect Provincial Sales Tax, Fuel Tax, Tobacco Tax, and Corporation Capital Tax.

The 2004-05 client satisfaction survey was conducted by the Department of Finance in July 2004. Non-audit surveys were sent to 376 businesses with a response rate of 31 per cent. The results indicated that 95.0 per cent of the businesses are satisfied with the Department's timeliness of responses, refunds and adjustments. This compares with a 91.5 per cent satisfaction rate in the 2002-03 client satisfaction survey using the same measure and questionnaire.

When the surveys were first developed, the Department wanted to distinguish between client satisfaction with the quality of service versus client satisfaction with the timeliness of responses to correspondence, refunds and adjustments. However, the client satisfaction results were very similar for both quality and timeliness. Prior to the 2006-07 client satisfaction survey, the Revenue Division intends to re-evaluate the appropriateness of the survey questions and the methodology used in the survey process.

[1] A six point Likert scale is used for the non-audit client satisfaction survey and is divided into two categories – satisfied (somewhat satisfied, satisfied, and very satisfied) and dissatisfied (somewhat dissatisfied, dissatisfied, very dissatisfied). Percent satisfied is calculated by dividing the satisfied responses by the total number of responses.

[2] The audit survey is formatted as 'Yes/No' questions to determine satisfaction. Responses of 'Yes' are classified as being satisfied. Percent satisfied is calculated by dividing the satisfied responses by the total number of responses.

Objective 2 – Ease of tax compliance

Streamlining regulatory requirements enables Saskatchewan businesses and farmers to focus resources on productive activities that enhance their overall competitiveness.

During 2004-05, Finance made considerable progress toward this objective. The Saskatchewan Electronic Tax Service (SETS) was enhanced to allow fuel dealers the ability to file their application for a refund of Fuel Tax on exempt propane sales. SETS was also promoted to businesses and farmers on a quarterly basis. This resulted in a 39.4 per cent increase in the number of businesses using the service.

Opportunities exist to further develop SETS and enhance electronic reporting. Over the coming year, Finance will continue its efforts to reduce regulatory burden and meet client service delivery goals.

Key Results

- Continue to promote the Saskatchewan Electronic Tax Service (SETS) to clients through the use of information stuffers included with tax returns every three months, using e-mail marketing to clients that have provided an e-mail address and through out link on the **www.gov.sk.ca** "On-line Services" web page. [2004-05 planned result]
  - Information stuffers were included with tax returns every three months, promoting SETS and our information bulletin subscription service offered on our web site.
  - E-mail marketing was sent to clients that have provided an e-mail address and through our link on the **www.gov.sk.ca** "On-line Services" website. [2004-05 planned result]
  - Inquiry staff promoted SETS and information access on our website through client interaction.

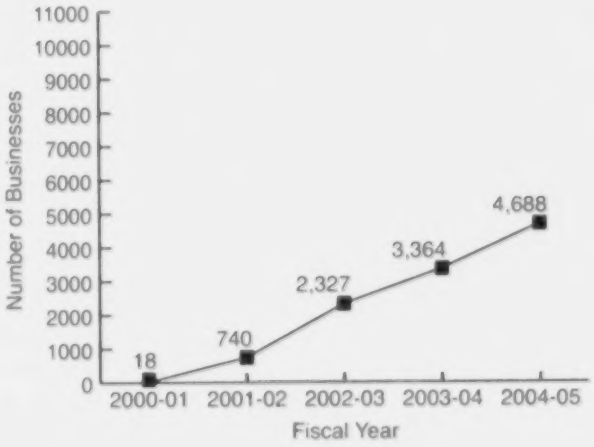
In addition to progress made on planned actions, other key results include:

- SETS was enhanced to allow fuel dealers the ability to file their application for a refund of Fuel Tax on exempt propane sales. This additional service was implemented in December 2004. Currently 34 per cent of propane fuel dealers file their refund application using SETS.

Measurement Results

Number of businesses that filed returns on-line

Number of Businesses Using SETS to File Returns On-line
Source: Department of Finance, SETS



SETS was introduced in September 2001 to offer businesses a secure, fast, and convenient alternative to filing tax returns in paper format. The service is available for most revenue and refund programs administered by the Department including: Provincial Sales Tax, Liquor Consumption Tax, Tobacco Tax, Fuel Tax, Corporation Capital Tax (instalment payments only), Insurance Premiums Tax, Beverage Container Program, and International Fuel Tax Agreement. Ongoing enhancements to SETS is part of continuing efforts by the Department to reduce regulatory burden and meet our goal of providing excellent service to our clients. The Department's performance in meeting the objective of ease of tax compliance for businesses is generated from the SETS database of distinct businesses submitting tax returns on-line between April 1, 2004 and March 31, 2005.

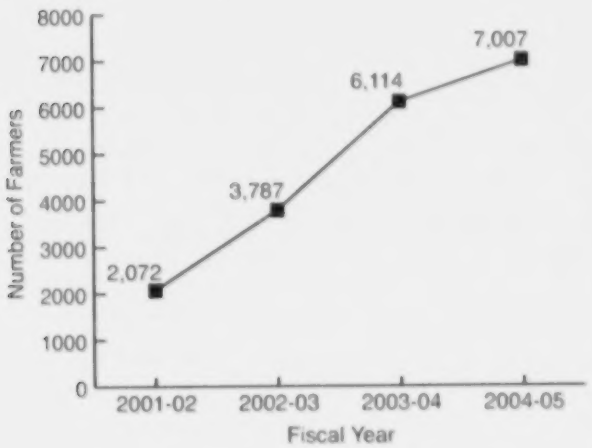
In 2004-05, 4,688 businesses filed returns using SETS. This is a 39.4 per cent increase over the 2003-04 result using the same measure. This increase is related to the efforts made promoting the service, and the enhancement to allow fuel dealers the ability to file their application for a refund of Fuel Tax on exempt propane sales. Businesses using SETS are able to save time and money on regulatory compliance, channelling their resources to other business activities.

The Department can influence this performance measure by offering additional services, enhancing existing services and continuing to encourage businesses to use SETS. Extending the electronic services offered by SETS does not assure take up. A balance is required to ensure the services offered through SETS meet the needs of Saskatchewan businesses.

In 2005-06, this measure will be replaced with the percentage of tax payments processed electronically by the Department. The new measure is a broader measure that captures all electronic forms of payment.

Number of farmers that applied for fuel tax rebates on-line using SETS

Number of Farmers Using SETS to File Rebate Applications
Source: Department of Finance, SETS



SETS was enhanced in February 2002 to offer farmers, commercial fishers, loggers, and trappers a secure, fast, and convenient alternative to applying for their Fuel Tax rebate or permit renewal in paper format. Ongoing enhancements to SETS are part of continuing efforts by the Department to reduce regulatory burden and meet our goal of providing excellent service to our clients.

The number of farmers that applied for rebates or permit renewals on-line measures the Department's performance in meeting the objective of ease of tax compliance. The measure is calculated from the SETS database of those who apply for rebates or permits for each renewal period. Applicants are primarily farmers but also include 28 commercial fishers, loggers, and trappers. Beginning in 2004-05, the method of calculating the measure has changed as two renewal periods fall within a fiscal year. The results reflect the distinct number of farmers that applied for rebates or permit renewals using SETS during the fiscal year being reported (2002-03 and 2003-04 have been re-stated).

In 2004-05, 7,007 farmers applied on-line for rebates or permit renewals using SETS (there are approximately 45,000 active permit holders in the program). This is a 14.6 per cent increase over the 2003-04 result. This increase is related to the efforts made promoting the service. Farmers using SETS are able to save time and money on regulatory compliance, channelling their resources to other business activities.

This measure is being deleted as the retail portion of the Farm Fuel Program was eliminated in the 2004-05 Budget. For 2005-06, the measure will change to the number of farmers that applied for fuel tax permit renewals on-line.

The Department influences this performance measure by offering additional services, enhancing existing services, and continuing to encourage farmers to use SETS. Extending the electronic services offered by SETS does not assure take up. A balance is required to ensure the services offered through SETS meet the needs of Saskatchewan farmers.

2004-05 Financial Results

Expense

The following table outlines information on budgeted and actual expenses by subvote and subprogram. Variance explanations are provided for all significant changes.

Program	(thousands of dollars) 2004-05 Budget	2004-05 Actual	2004-05 Variance	Notes
Administration	**3,417**	**3,385**	**(32)**	
Accommodation and Central Services	**2,348**	**2,445**	**97**	
Treasury and Debt Management	**2,576**	**2,328**	**(248)**	1
Provincial Comptroller	**9,108**	**8,984**	**(124)**	
Budget Analysis	**4,310**	**4,057**	**(253)**	2
Revenue	**15,147**	**15,719**	**572**	
Revenue Division	11,697	11,241	(456)	3
Allowance for Doubtful Accounts	1,200	2,200	1,000	4
CCRA Income Tax Administration	950	978	28	
Driver Licence Photo Identification Program	1,300	1,300	–	
Personnel Policy Secretariat	**393**	**275**	**(118)**	5
Miscellaneous Payments	**94**	**38**	**(56)**	
Bonding of Public Officials	19	19	–	
Unforeseen and Unprovided for	50	19	(31)	
Implementation of Guarantees (Statutory)	25	–	(25)	
Pension and Benefits	**204,263**	**205,306**	**1,043**	
Public Services Superannuation Plan (Statutory)	99,648	98,583	(1,065)	6
Members of the Legislative Assembly – Pension and Benefits	3,192	3,238	46	
Judges' Superannuation Plan (Statutory)	1,909	1,946	37	
Public Employees' Pension Plan	32,678	32,359	(319)	
Canada Pension Plan – Employer's Contribution	21,544	19,778	(1,766)	7
Employment Insurance – Employer's Contribution	11,602	10,769	(833)	7
Workers' Compensation – Employer's Assessment	8,229	7,474	(755)	7
Employees' Benefits – Employer's Contribution	20,440	27,482	7,042	8
Services to Public Services Superannuation Plan Members	1,235	905	(330)	9
Public Employees' Benefits Agency Revolving Fund - Net Financing Requirement (Statutory)	3,786	2,772	(1,014)	10
Total	$ 241,656	$ 242,537	$ 881	

1 Lower-than budgeted bank charges
2 Miscellaneous vacancies and lower-than-expected salary costs
3 Delayed hiring of new employees and delayed software purchases
4 Higher-than-expected write-offs for the fiscal year
5 Below budget salary costs
6 Lower-than-expected requirements for Refunds, Reciprocal Agreements, and Marital Breakdowns
7 Lower-than-anticipated salary base
8 Negotiated funding for In-Scope Health Care Benefits
9 Position vacancies throughout the year and postponed IT expenses
10 PEPPAccess completion time extended

Revenue

The Department of Finance collects revenue relating to taxation, transfers from other government entities, interest, premium, discount and exchange, motor licence fees, transfers from the Government of Canada as well as other smaller revenue sources. All revenue collected is deposited into the General Revenue Fund. The following table and text shows estimated and actual revenue, describes the Department's revenue sources and includes variances explanations for changes greater than $5 million.

	(thousands of dollars)		
Source	**2004-05 Budget**	**2004-05 Actual**	**2004-05 Variance**
Corporation Capital Tax	357,300	381,289	23,989
Corporation Income Tax	249,800	257,679	7,879
Fuel Tax	363,100	361,039	(2,061)
Individual Income Tax	1,292,200	1,329,081	36,881
Sales Tax	1,016,700	985,079	(31,621)
Tobacco Tax	184,200	187,029	2,829
Other	72,600	79,914	7,314
Taxes	**3,535,900**	**3,581,110**	**45,210**
Crown Investments Corporation of Saskatchewan	250,000	268,000	18,000
Saskatchewan Liquor and Gaming Authority	365,400	361,044	(4,356)
Other Enterprises and Funds	39,100	40,431	1,331
Transfers from Crown Entities	**654,500**	**669,475**	**14,975**
Interest, Premium, Discount and Exchange	45,679	53,010	7,331
Motor Vehicle Fees	127,100	121,549	(5,551)
Other Licences and Permits	86	82	(4)
Sales, Services and Service Fees	325	65	(260)
Other	8,713	9,709	996
Other Revenue	**181,903**	**184,415**	**2,512**
Canada Health Transfer	419,400	452,396	32,996
Canada Social Transfer	259,300	262,742	3,442
Health Reform Transfer	46,700	46,732	32
Equalization Payments	442,500	581,570	139,070
Other	2,127	163,215	161,088
Transfers from the Government of Canada	**1,170,027**	**1,506,655**	**336,628**
Total Department of Finance Revenue	**$5,542,330**	**$5,941,655**	**$ 399,325**

Corporation Capital Tax

Corporation Capital Tax (CCT) consists of the normal Capital Tax, which is levied on the amount of taxable paid-up capital in excess of an exemption limit, and the Resource Surcharge, which is levied on the value of resource sales.

CCT increased $24.0 million, or 6.7 per cent, from the Budget Estimate. The increase occurred primarily in the resource surcharge component of the base and is largely due to higher oil and natural gas prices.

Corporation Income Tax

Corporate Income Tax (CIT) is administered on the Province's behalf by the federal government using a common national determination of corporate taxable income. For a particular taxation year, the federal government makes installment payments to the Province on the basis of estimates, which are reconciled to actual assessments once tax returns for that taxation year have been filed.

CIT increased $7.9 million, or 3.2 per cent, from the Budget Estimate. The increase from Budget is due to the revised federal forecast of expected growth in the corporate tax base for the 2004 taxation year, partially offset by weaker than anticipated assessments for the 2003 taxation year.

Fuel Tax

The Fuel Tax is levied on purchases of all types of fuel under the authority of The Fuel Tax Act, 2000.

Individual Income Tax

Saskatchewan's Individual Income Tax is administered on the Province's behalf by the federal government using a common national determination of taxable income. For a particular taxation year, the federal government makes installment payments to the Province on the basis of estimates, which are reconciled to actual assessments once tax returns for that taxation year have been filed.

In 2004-05, individual income tax increased $36.9 million, or 2.9 per cent, from the Budget Estimate. The increase from Budget is primarily due to better-than-anticipated assessments for the 2003 taxation year and the receipt of one-time adjusting payments with respect to unassessed taxes for the 2000 to 2002 taxation years.

Sales Tax

Sales Tax includes revenue from the Provincial Sales Tax (PST) and the Liquor Consumption Tax (LCT). The PST rate is seven per cent, while the LCT rate is 10 per cent.

Sales tax revenue decreased $31.6 million, or 3.1 per cent, from the Budget Estimate. The decrease is primarily due a $30.8 million decrease in PST revenue primarily due to lower car sales over the fiscal year and a $0.8 million decrease in LCT revenue.

Tobacco Tax

The Tobacco Tax is levied on retail purchases of all types of tobacco.

Other Taxes

Other Taxes revenue includes Insurance Premiums tax, Pari-Mutuel tax, Fire Prevention tax, and Mineral Rights tax.

Other tax revenue increased $7.3 million, or 10.2 per cent, from the Budget Estimate. The increase is primarily due to an increase in insurance premiums tax revenue due to an increase in the market value of insured goods.

Crown Investments Corporation of Saskatchewan

The dividend from the Crown Investments Corporation (CIC) of Saskatchewan is based on CIC projected net earnings, which are paid to the GRF.

The CIC dividend increased $18.0 million, or 7.2 per cent, from the Budget Estimate. The increase is primarily due to a number of one-time events.

Saskatchewan Liquor and Gaming Authority

The SLGA dividend to the GRF is transferred based primarily on the net income of the Authority. Earnings from SLGA are from liquor net income, gaming net income and Saskatchewan Indian and Gaming Authority (SIGA) net income.

The SLGA transfer to the GRF decreased $4.4 million, or 1.2 per cent, from the Budget Estimate. The decrease was primarily due to the impact of the smoking ban (on VLT revenue), the re-instatement of the commercial permittee beer discount partially offset by savings in licensing, regulation and support and a higher-than-expected SIGA net income.

Other Enterprises and Funds

Other Enterprises and Funds include dividends paid into the GRF by other government enterprise and special funds. This includes Saskatchewan Gaming Corporation net income and one-time dividends from other government entities.

Interest, Premium, Discount and Exchange

Revenue from this source includes interest received on bank deposits, interest on advances, investments and accounts receivable.

Interest, premium, discount and exchange increased $7.3 million, or 16.0 per cent, from the Budget Estimate. The increase is primarily due to higher-than-expected investment income.

Motor Vehicle Fees

Motor Vehicle Fees revenue includes licences, fees and registrations with respect to motor vehicles.

Motor vehicle fees decreased $5.6 million, or 4.4 per cent, from the Budget Estimate. The decrease is primarily due to lower actual revenue than forecast in 2003-04, on which the 2004-05 forecast was based.

Other Licences and Permits

Other Licences and Permits revenue consists of fees collected under the International Fuel Tax Agreement (IFTA).

Sales, Services and Service Fees

Sales, Services and Service Fees revenue in the Department of Finance includes debt guarantee fees.

Other Other Revenue

Other Other Revenue consists of all other recurring operational revenue not otherwise classified, and includes refunds of previous years' expenditures, recovery of loans, transfers in, contributions by employees and others to retirement and insurance plans.

Canada Health Transfer

2004-05 is the first year of the Canada Health Transfer (CHT) and the Canada Social Transfer (CST). Effective April 2004, the Canada Health and Social Transfer (CHST) was replaced with the CHT and the CST.

CHT increased $33.0 million, or 7.9 per cent, from the Budget Estimate. The increase is primarily due to an increase in funding as a result of the 2004 First Ministers' Meeting on Health Care.

Canada Social Transfer

2004-05 is the first year of the Canada Social Transfer (CST). Effective April 2004, the Canada Health and Social Transfer (CHST) was replaced with the CHT and the CST.

Health Reform Transfer

The Health Reform Transfer is part of the 2003 First Ministers' Accord on Health Care Renewal. The Transfer is intended to assist provinces in reforming the following priority areas: primary health care, home care and catastrophic drug coverage.

Equalization

Funding under the Equalization Program is governed by the ability of a province to generate revenue relative to a five province standard (British Columbia, Saskatchewan, Manitoba, Ontario and Quebec). The principle behind this program is to compensate provinces that have a fiscal capacity below that of the standard provinces. This compensation is intended to allow provinces to provide reasonably comparable levels of service at reasonably comparable levels of taxation. Currently, an independent panel is reviewing the program and is expected to make a recommendation on the future of the Equalization program beginning in 2006-07.

Equalization payments increased $139.1 million, or 31.4 per cent, from the Budget Estimate. The increase is primarily due to an increase in the current year entitlement and the forgiveness of all negative prior-year adjustments.

Other Transfers from the Federal Government

Other federal transfer revenue is derived from individual cost-sharing agreements for various programs across government.

Other federal transfers increased $161.1 million from the Budget Estimate. The increase is primarily due to the receipt of Saskatchewan's entire share of the 2004 Wait Times Reduction Transfer, an increase for the 2004 Diagnostic Medical Equipment Fund as part of the 2004 First Ministers' Meeting on Health Care and an increase for the 2004 Public Health Immunization Trust.

Revolving Funds

The Department is responsible for the Public Employees' Benefits Agency Revolving Fund that provides services to public sector pension and benefit plans and to plan members. The costs incurred by the Fund for providing services are allocated to, and reimbursed primarily by, various pension and benefit plans. For more information about this Fund please visit the following website: **http://www.peba.gov.sk.ca/Agency/peba_ann_reports.html**

Where to Obtain Additional Information

If you have any questions or comments please call 1-866-862-6246.

If you require additional copies of this Annual Report, call 787-6623.

All Saskatchewan Finance programs and services can be accessed at **www.gov.sk.ca/finance**

All Saskatchewan Finance publications can be accessed at **www.gov.sk.ca/finance/publicationsall.htm**

Appendix A

Senior Management Committee

Ron Styles, Deputy Minister

Kirk McGregor, Assistant Deputy Minister
Taxation and Intergovernmental Affairs Branch

Terry Paton, Provincial Comptroller
Provincial Comptroller's Division

Dennis Polowyk, Assistant Deputy Minister
Treasury and Debt Management Division

Len Rog, Assistant Deputy Minister
Revenue Division

Glen Veikle, Assistant Deputy Minister
Treasury Board Branch

Joanne Brockman, Executive Director
Economic and Fiscal Policy Branch

Cathy Bulych, Chief Information Officer
Information Technology Branch

Naomi Mellor, Executive Director
Performance Management Branch

Janine Reed, Executive Director
Personnel Policy Secretariat

Brian Smith, Executive Director
Public Employees Benefits Agency

Bill Van Sickle, Executive Director
Executive Administration Branch

Jim Graham, Director
Human Resources Branch

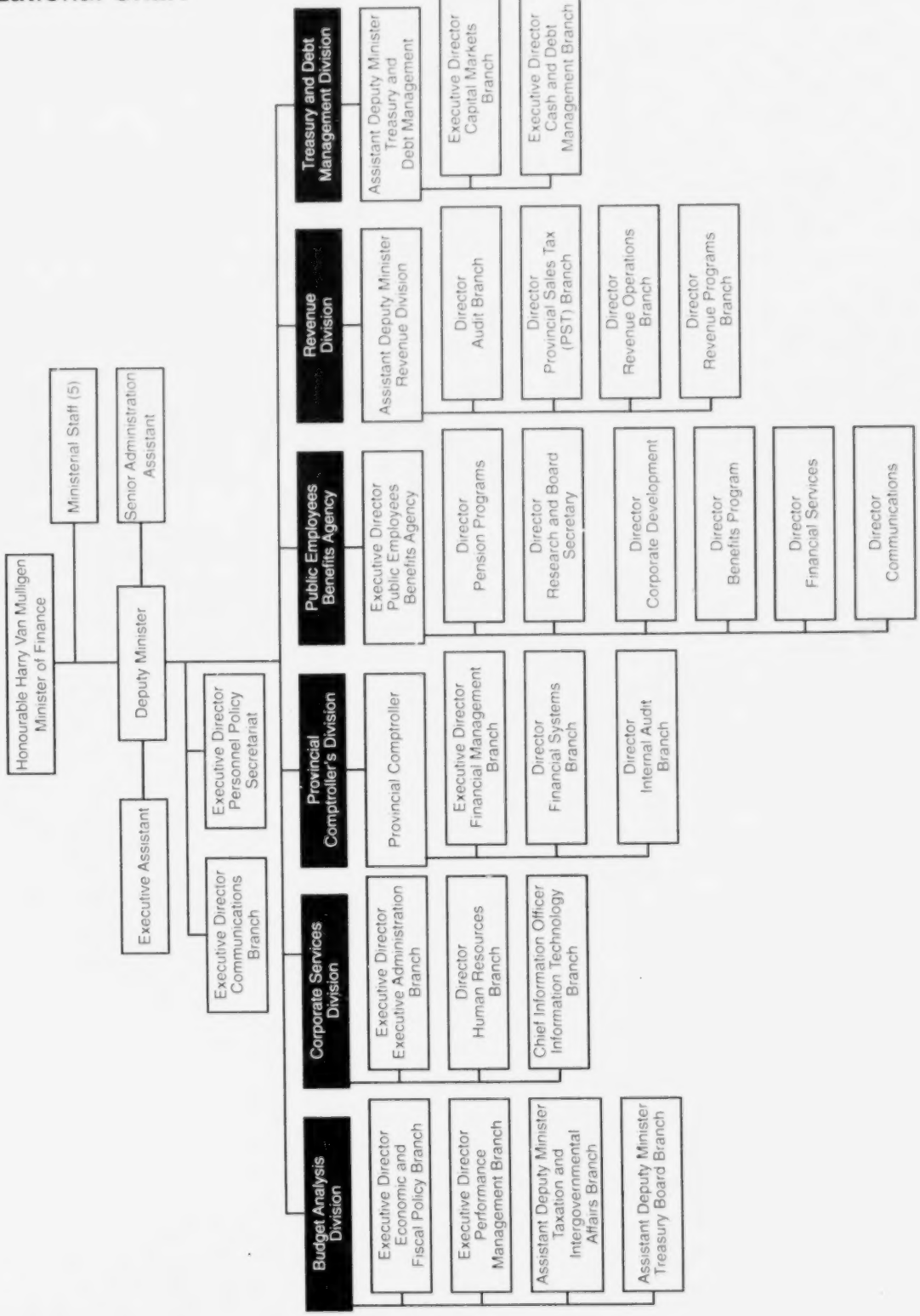
Mike Woods, Executive Director
Communications Branch

Kevin Banman, Executive Assistant to the Deputy Minister

Mag Massier, Senior Administrative Assistant

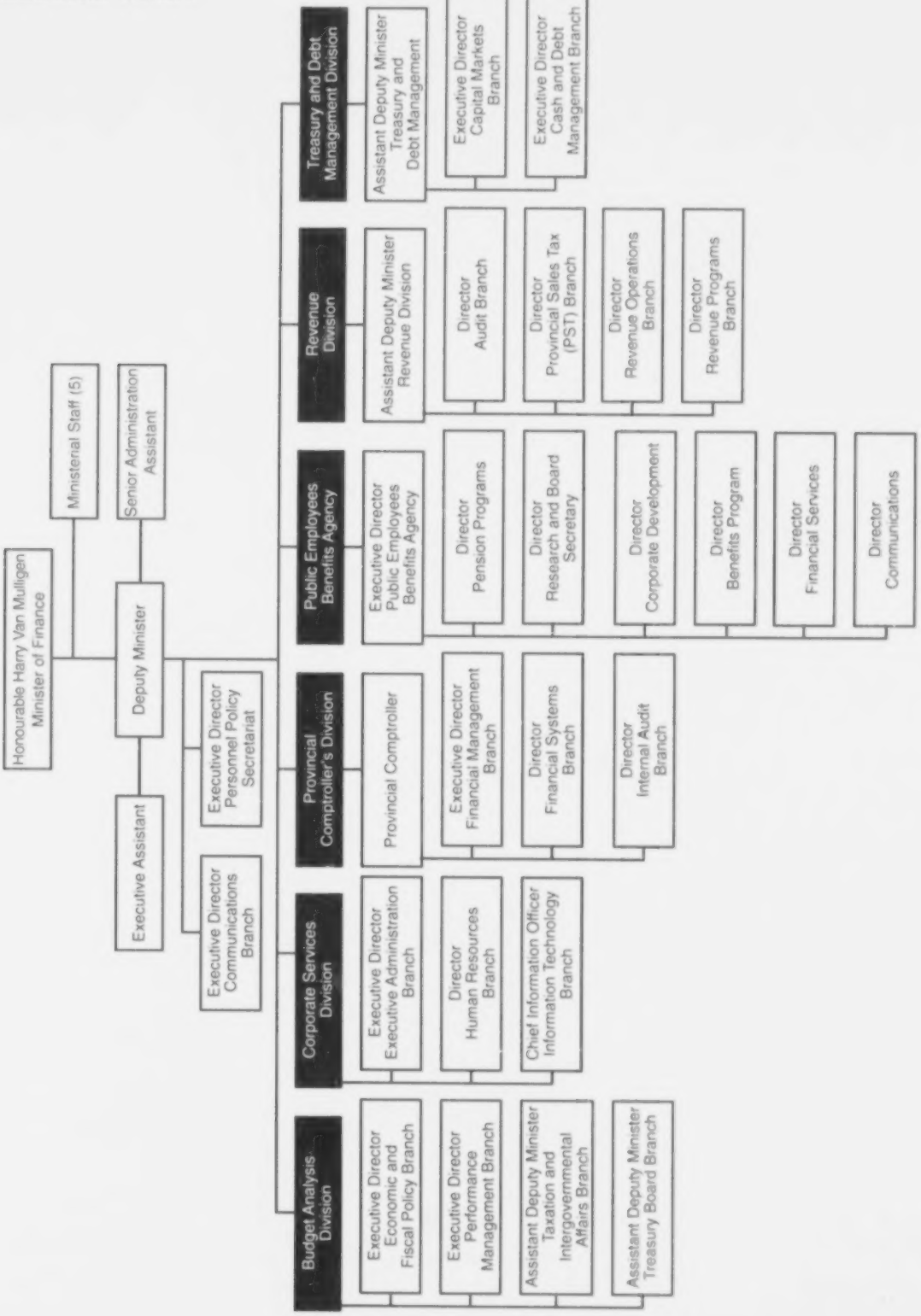
Appendix B

Organizational Chart



Appendix B

Organizational Chart



Appendix C

Public Employees Benefits Agency

The Public Employees Benefits Agency (PEBA) provides the day-to-day administration of public sector pension and benefit programs.

PEBA's strategic plan, developed by a committee of management and staff, was finalized during the 2002-03 fiscal year. Management and staff are working together to implement the Agency's goals.

PEBA continued to provide research and guidance to pension and benefits boards to facilitate the documenting of each pension board's governance strategy. Good governance is developing, documenting, implementing and abiding by policies and procedures that facilitate the efficient administration of pension and benefit plans. Boards conducting themselves using good governance practices is not new. The documentation and ongoing review of governance is an expectation in the pension and benefit industry.

May 1, 2002 marked the 75th anniversary of the Public Service Superannuation Plan. For the first time in the Plan's history, personal pension statements were printed and distributed to plan members in the 2002 fiscal year.

The Public Employees Benefits Agency administers the following pension and benefit plans:

Pension Programs

Additional Pension Contribution Program

Anti-Tuberculosis League Employees Superannuation Plan

Judges of the Provincial Court Superannuation Plan

Liquor Board Superannuation Plan

The Members of the Legislative Assembly Benefits Act

Municipal Employees' Pension Plan

Public Employees' Pension Plan

Public Service Superannuation Plan

Saskatchewan Pension Annuity Fund

Saskatchewan Transportation Company Employees Superannuation Plan

Workers' Compensation Board Superannuation Plan

Benefit Plans

Deferred Salary Leave Plan

Extended Health Care Plan

Extended Health Care Plan
for Retired Employees

Extended Health Care Plan
for Certain Other Employees

Extended Health Care Plan
for Certain Other Retired Employees

Public Employees Dental Plan

Public Employees Disability Income Plan

Public Employees Group Life Insurance Plan

Scheduled Aircraft Insurance Plan

Unscheduled Aircraft Insurance Plan

The Government of Saskatchewan and
Canadian Union of Public Employees
Local No. 600-3 Benefits Plans Surplus Fund

The Government of Saskatchewan and
Saskatchewan Government and General
Employees' Union Benefit Plans' Surplus Fund

Additional Benefit Plans Administered for Employers

The SaskPower Millennium Trust Fund

The SaskPower Supplementary
Superannuation Plan

Saskatchewan Government Insurance
Service Recognition Plan

Saskatchewan Power Corporation
Designated Employee Benefit Plan

Saskatchewan Power Corporation
Supplementary Superannuation Plan

Saskatchewan Power Pre 96 Plan

Saskatchewan Water Corporation
Retirement Allowance Plan

Saskatchewan Watershed Authority

SaskEnergy Retiring Allowance Plan

Appendix D

Publications List

All Saskatchewan Finance publications can be accessed at:
www.gov.sk.ca/finance/publicationsall.htm

Department of Finance Annual Report
Offers a narrative and financial overview of the operations of the Department of Finance for the previous fiscal year and identifies actions for the upcoming fiscal year.
www.gov.sk.ca/finance/annreport

Performance Plan
The performance plan outlines the Department of Finance's vision for the future and the goals and objectives that the Department intends to accomplish over the medium to longer term. For each objective, a series of specific actions that will be taken in the coming year is presented, along with one or more performance measures, indicating how progress in achieving the objective will be tracked.
www.gov.sk.ca/finance/accountability/2006/Finance.pdf

Budget Documents and Backgrounders
Offer financial details of the annual Provincial Budget. Published in March of each year. Main documents include the Budget Summary Book, Our Plan for 2004-05, Estimates and Supplementary Estimates.
www.gov.sk.ca/finance/budget

- **Budget Summary Book**
  Offers an overall view of the Provincial Budget. Includes Financial Tables, as well as program highlights for the upcoming year.

- **Our Plan for 2004-05**
  Outlines key commitments associated with the 2004-05 Budget.

- **Estimates**
  The Estimates represent the Government's financial plan for the General Revenue Fund presented to the Legislative Assembly for the fiscal year commencing April 1, and ending on March 31 of the following year. The Estimates outline the estimated expenditures, revenues, loans, advances and investments of the General Revenue Fund categorized in a manner to inform both the Members of the Legislative Assembly and the public. The Estimates are presented in accordance with *The Financial Administration Act, 1993.*

- **Supplementary Estimates**
  The Supplementary Estimates for the fiscal year ending March 31 represent funding provided by special warrants issued subsequent to the passage of the Main Appropriation Bill for the previous year. Supplementary Estimates are prepared and presented to the Legislative Assembly pursuant to section 14 of *The Financial Administration Act, 1993.*

First Quarter Report
Offers details of the government's financial picture on a General Revenue Fund basis as of the first quarter (April, May, June) of the fiscal year, compared to Budget. Published within 60 days of end of first quarter.
www.gov.sk.ca/finance/QuarterReports

Mid-Year Report
Offers details of the government's financial picture on a General Revenue Fund basis as of the second quarter (April – September) of the fiscal year, compared to Budget and First Quarter. Published within 60 days of end of second quarter.
www.gov.sk.ca/finance/finrep

Third Quarter Report
Offers details of the government's financial picture on a General Revenue Fund basis as of the third quarter (April – December) of the fiscal year, compared to Budget and Mid-Year. Published within 60 days of end of third quarter.
www.gov.sk.ca/finance/QuarterReports/thirdquarter.htm

Public Accounts Documents
www.gov.sk.ca/finance/paccts

- **Volume 1**
  Volume 1 of the Public Accounts contains the General Revenue Fund financial statements and the Summary Financial Statements. It also contains information on the Fiscal Stabilization Fund and the Province's debentures. Usually published in July.

- **Volume 2**
  Volume 2 of the Public Accounts provides detailed information on revenues and expenditures of the General Revenue Fund, information on the trust funds administered by the Government and a listing of remissions of taxes and fees. Usually published in September.

- **Compendium**
  The Compendium contains the financial statements of various boards, agencies, commissions, superannuation funds, special purpose funds and institutions as well as those Crown corporations, which are accountable to Treasury Board.

Tax Information Bulletins and Forms
The Revenue Division of Saskatchewan Finance prepares a number of information bulletins and forms about the taxes and programs administered. This information explains how the Provincial Sales Tax, Fuel Tax, Tobacco Tax, Corporation Capital Tax, Liquor Consumption Tax, and other taxes apply in specific situations.
www.gov.sk.ca/finance/revenue

Financial Administration Manual
The Financial Administration Manual (FAM) communicates Treasury Board's policies and the Provincial Comptroller's directives to departments and public agencies. These financial policies and directives are made pursuant to *The Financial Administration Act, 1993*. FAM also includes general information to assist users in understanding the complex governance environment within which these policies and directives apply (e.g., to assist directors in understanding how general laws affect their roles, responsibilities and duties).
www.gov.sk.ca/finance/FAM/default.html

Natural Account Manual
The Natural Account Manual provides information on the asset, liability, equity, revenue and expenditure accounts available for use in MIDAS (the Government's financial system).
www.gov.sk.ca/finance/nam/NaturalAccountManual.pdf

Euro Medium-Term Note Prospectus
The EMTN Programme enables the Province to issue debt instruments in the European capital markets.
www.gov.sk.ca/finance/18k/ProspectusFinal2004.pdf

Saskatchewan Bureau of Statistics
www.gov.sk.ca/bureau.stats

- **Saskatchewan Economic Statistics**
  Provides detailed data of the Saskatchewan economy in terms of Gross Domestic Product. Published twice annually.

- **Economic Overview**
  Provides a compendium of the most asked questions relating to Saskatchewan statistics, including data on agriculture, business, employment, investment and Gross Domestic Product. Published annually.

- **Monthly Statistical Review**
  Provides up-to-date economic and social statistics relating to Saskatchewan. Produced monthly.

- **Saskatchewan Fact Sheet**
  Provides a snapshot of important Saskatchewan economic and social statistics for the previous two years. Produced annually.

- **Labour Force Survey**
  Tables provide labour force and employment data from the Statistics Canada Labour Force Survey. Produced monthly.

- **Consumer Price Index**
  Tables provide price data from the Statistics Canada Consumer Price Index. Produced monthly.

Public Employees Benefits Agency (PEBA)
PEBA operates as a central body within the Department of Finance, Government of Saskatchewan to administer pension and benefit programs for employees of the Executive Government, Crown corporations and Government Funded Bodies.
www.peba.gov.sk.ca

- **PEBA Annual Reports**
  Annual Reports provide information about the Plan's operations, membership, and administrative expenses and include financial statements for the year. PEBA produces 23 annual reports.

- **Acceptable Documentation**
  This document outlines the documentation that PEBA will use in administering the pension and benefit programs that the Agency is responsible for.

- **Statement of Investment Policies (SIP&P)**
  The following policy documents outline parameters around the investment of the various plans' assets setting rate of return standards, asset mix guidelines, risk tolerance, etc. This document is used by various fund managers to manage the plans assets and the boards and commissions will use this to evaluate the manager's performance.

  Public Employees Pension Plan:
  - Investment Policy Summary (as of April 2003) - Balanced Fund
  - Statement of Investment Policies and Goals - Balanced Fund
  - Investment Policy Summary (as of April 2004) - Short-Term Bond Fund
  - Statement of Investment Policies and Goals - Short-Term Bond Fund

  The Saskatchewan Pension Annuity Fund:
  - Statement of Investment Policies and Goals (as of February 2003)

  Municipal Employees' Pension Plan:
  - Investment Policy Summary (as of April 2003)
  - Statement of Investment Policies and Procedures

- **Public Service Superannuation Plan (PSSP)**

  Saskatchewan Liquor Board Superannuation Plan:
  - Investment Policy Summary (as of March 2003)
  - Statement of Investment Policies and Objectives

  Saskatchewan Transportation Company Superannuation Plan:
  - Investment Policy Summary (as of January 2004)
  - Statement of Investment Policies and Goals

- **Benefits**

  Public Employees Benefits Agency Disability Income Plan:
  - Investment Policy Summary (as of March 2003)
  - Statement of Investment Policies and Objectives

  Public Employees Benefits Agency Group Life Insurance Plan:
  - Investment Policy Summary (as of March 2003)
  - Statement of Investment Policies and Objectives

- **Member Newsletters**
  The newsletters provide current information to members about Plan provisions, proposed changes to legislation, regulations and administrative matters and addresses topics of interest to members (i.e. retirement planning, risk management, investments, missing members and the pension industry).

  Public Employees' Pension Plan (PEPP) – "Pension Perspectives"
  Municipal Employees' Pension Plan (MEPP) – "MEPP Matters"

- **Member Booklets**
  Member Booklets contain detailed information concerning the various plans offered and the benefits available to the members. These are a valuable resource to all Plan members, so that they know their exact entitlements under the various plans.

  Pension Plans:
  - Public Employees Pension Plan
  - Municipal Employees' Pension Plan
    General Member
    Designated Police Officer and Firefighter
  - Public Service Superannuation Plan

  Benefit Plans:
  - Public Employees Group Life
  - Public Employees Disability Income Plan
    Employee Booklet
    Plan Document
  - Public Employees Dental Plan
    Maximum Reimbursement Schedules (MRS) - list the codes and the cost for each procedure that is covered in the Plan. The schedules are updated every year, usually in January.
  - Public Employees Deferred Salary Leave Plan

  Extended Health Care Booklets:
  - Extended Health Care Plan PS/GE SGEU Retiree Booklet
  - Extended Health Care Plan CUPE 600-3 Retiree Booklet
  - Extended Health Care Plan Out-of-scope Retiree Booklet
  - Extended Health Care Plan Booklet PS/SGEU and CUPE 600-3: Effective January 1, 2000
  - Extended Health Care Plan Booklet (Management) Employees: Effective January 1, 2000

- **Employer Bulletins**
  Bulletins notify employers about legislation, regulations, and administrative changes affecting the Plan, as well as new services being offered to the members or procedural changes.

  PEPP
  PSSP
  MEPP

- **Pension Adjustment Guides**
  Assists users in calculating and reporting Pension Adjustments.

  MEPP
  PSSP

- **Employer Manual (MEPP)**
  Provides instructions to employers regarding administrative and reporting procedures.

- **Employer Defined Benefit Administration Guide**
  Provides instructions to employers regarding administrative and reporting procedures.

- **Other Information**

  Information Sheets
  Provide detailed information on specific topics related to Plan provisions.
  - PEPP *Talk*
  - InfoSheets (PSSP)
  - MEPP In-Depth

  MEPP
  - Actuarial Valuation of the Saskatchewan Municipal Employees' Pension Plan (as at December 31, 2001)
  - Actuarial Valuation Report (as at December 31, 2001) on The Annuities Underwritten by The Municipal Employees' Pension Plan

Appendix E

Legislation

Under Order-in-Council No. 99/2004 dated February 25, 2004, the Minister of Finance is responsible for the following Acts of the Legislative Assembly:

Balanced Budget Act
Certified General Accountants Act, 1994
Certified Management Accountants Act
Certified Management Consultants Act
Chartered Accountants Act, 1986
Corporation Capital Tax Act
Federal-Provincial Agreements Act
Financial Administration Act, 1993
Fiscal Stabilization Fund Act
Fuel Tax Act, 2000
Home Energy Loan Act
Income Tax Act
Income Tax Act, 2000
Insurance Premiums Tax Act
Liquor Consumption Tax Act
Management Accountants Act
Members of the Legislative Assembly Benefits Act
Motor Vehicle Insurance Premiums Tax Act
Municipal Employees' Pension Act
Municipal Financing Corporation Act
Provincial Auditor Act
Provincial Sales Tax Act
Public Employees Pension Plan Act
Public Service Superannuation Act
Revenue and Financial Services Act
Saskatchewan Development Fund Act
Saskatchewan Pension Annuity Fund Act
Saskatchewan Pension Plan Act
Statistics Act
Superannuation (Supplementary Provisions) Act
Tabling of Documents Act, 1991
Tobacco Tax Act, 1998

Although not listed in the Order-in-Council, the Minister is also responsible for *The Appropriation Act.*

Furthermore, the Department has responsibilities under the following legislation:

Fire Prevention Act, 1992
Liquor Board Superannuation Act
Provincial Court Act, 1998
Vehicle Administration Act
Workers' Compensation Board Superannuation Act

Appendix F

Treasury Board, the Budget Process and Public Accounts

Key decisions about the Province's finances, including the development of the annual Budget, are the responsibility of **Treasury Board**, a committee of Cabinet Ministers. The powers and duties of Treasury Board are contained in sections 4 and 5 of *The Financial Administration Act, 1993.* The Minister of Finance is the Chair of Treasury Board and the Deputy Minister of Finance is the Board's Secretary. Department of Finance staff act as a resource to Treasury Board in the performance of its duties.

The Department of Finance assists and supports Treasury Board in fulfilling its duties, which include:

- managing the Government's revenues, expenditures, assets and liabilities;
- evaluating Government programs and services;
- establishing and overseeing Government administrative policy and management practices and systems;
- developing and monitoring Government accounting policies and practices;
- reviewing and making recommendations on the organization of all or any part of Government;
- providing Cabinet with policy recommendations to address Government programming and fiscal issues; and,
- reviewing Budget proposals and overseeing the development of the Government's annual Budget.

One of the primary responsibilities of the Department of Finance is to assist Treasury Board in developing and managing the annual provincial **Budget**. Presented each year in the Legislative Assembly by the Minister of Finance, the Budget sets forth in detail how public funds will be allocated among all government programs and services in the coming fiscal year. It also establishes future directions for government programs and appropriate levels of taxation to maintain those programs.

The process starts each spring with a Call for Plans, which directs departments to develop their strategic direction for the year, including goals, objectives, performance measures and key actions. Each year, Cabinet meets early in the Fall to develop budget guidelines based on overall public priorities as determined by the Government. These guidelines are conveyed to departments to guide them when preparing their budget requests. Treasury Board, with the support and advice of the Department of Finance, assesses the plans and budget requests, evaluates competing priorities, and recommends a budget package to Cabinet.

Once Cabinet has finalized the budget package, the Department produces the Budget Address, annual Estimates and supporting materials and arranges for the dissemination of budget information to key stakeholders and the public.

Throughout the year, the Department of Finance issues First Quarter, Mid-Year and Third Quarter Reports, which update revenue, expenditure and debt forecasts based on economic changes and other developments that have occurred to certain points of the fiscal year. In addition, the Mid-Year Report updates actual performance compared to key commitments made in the Budget.

By August 1, the Department of Finance prepares the annual Public Accounts for the Minister of Finance to table in the Legislative Assembly. In effect, the **Public Accounts** serve as a fourth quarter report. The Public Accounts summarize the results of Government operations for the fiscal year and provide a comparison of actual results to Budget Estimates.

The Legislative Assembly establishes a Standing Committee on Public Accounts at the beginning of each Legislative sitting to review the Government's expenditures through analysis of the Public Accounts and the Provincial Auditor's report. The Committee plays a key role in maintaining Government accountability.

The Committee is assisted in its deliberations by the attendance of the Provincial Comptroller, the Provincial Auditor and department officials, each of whom provides information and answers questions from Members.

The Committee summarizes its recommendations in periodic reports to the Legislative Assembly. The Department of Finance assists the Government in preparing a formal response describing the actions taken as a result of the Committee's recommendations. The financial accountability cycle is completed when the Committee reviews the Government's response and actions.

Appendix G

Personal Information Privacy Framework

In September 2003, the Government of Saskatchewan set out a privacy framework that is designed to place Saskatchewan at the strongest possible privacy protection policy position, while balancing the Government's need to meet its public policy obligations. The Department of Finance designated a senior staff member to act as the departmental Privacy Officer and established a Privacy Committee to adopt the Privacy Framework and integrate its principles into Finance's operations.

The Department of Finance has taken the following actions to safeguard the confidentiality of Personal Information held by the Department and to improve its Information handling procedures:

- Adopted the principles of the Government's Privacy Framework and developed an Action Plan to address the requirements of the Framework;
- Prepared an inventory of all personal information held within the Department of Finance and identified individual(s) accountable for the data;
- Adopted the principles of the Government's Guideline for Information Protection Classification issued by the Information Technology Office and classified all privacy information in accordance with the Classification Guide;
- Developed a Saskatchewan Finance Privacy Code which has been approved by the Senior Management of the Department;
- Developed a process for individuals to follow, if they wish to obtain their personal information, challenge the information on file or challenge the Department's compliance with the Government's Privacy Framework;
- Identified all Outsourcing Contracts within the Department of Finance and developed wording for privacy clauses to be incorporated in all new contracts or existing contracts as they come due for renewal;
- Developed a document entitled *'Access To and Protection of Client Information'* to deal with personal information handling procedures and processes for the Department;
- Incorporated 'informed consent' wording for new forms developed within Finance;
- Notified all Finance staff of the availability of on-line privacy training recently developed by the Public Service Commission and made available on the Internet, and incorporated privacy awareness issues into departmental Security Awareness training seminars which were delivered in June, 2004.
- Began thorough documentation outlining the purpose for which personal information was collected, the authority under which it was collected and disclosure policies for all data collected.

Employee security awareness and electronic security measures to protect data are an integral part of strengthening internal processes to protect all confidential information, including personal information. The Department has taken a number of steps to increase the security of its data by including new encryption procedures for all laptops and selected desktops, by contracting secure fax and file transfer services, by upgrading the physical security of Finance's server room and by implementing formal electronic audit trails and documentation of all requests for security changes.

In addition to these steps, Finance's Information Technology Branch conducted a review of all existing security permissions for access to electronic data and conducted regular password audits to ensure compliance with departmental password standards. The Branch also completed an update for Finance's Security Policy documents.

The Department of Finance is committed to continue its efforts to ensure that it meets all the requirements of the Government's Privacy Framework and that it incorporates high security standards to safeguard confidential information.

Appendix H

Glossary of Terms

Appropriation
An amount of funding that the Legislature has authorized for a particular purpose.

Credit Rating
An evaluation of the ability and willingness of a borrower to service and repay debt in a timely manner. Credit ratings are a key factor in determining the cost and availability of credit to a borrower. Borrowers with lower credit ratings pay more to lenders or investors than those with a higher rating. Many investors, such as pension funds, have guidelines restricting their lending to only those borrowers with above a minimum standard (level) credit rating.

Debt Servicing Costs
Costs associated with servicing the gross debt of the General Revenue Fund. The costs include interest, foreign exchange gains and losses, discounts, fees and commissions. Costs incurred to service Crown corporation debt are reimbursed by the Crown corporations.

Department
An organizational unit of Executive Government created for the purpose of managing related programs.

Estimates
Documents tabled outlining the Government's detailed financial plan for the year which form the basis for the requested appropriations. Estimates are tabled every year with the Budget Address.

Expenditure
The cost of operating government identified with a particular fiscal year or time period. Expenditures include the cost of government operated programs, interest on the public debt, transfer payments and capital acquisitions.

Financial System
Any system, manual or computerized, used to report or process transactions or data related to revenues, expenditures, assets or liabilities.

Fiscal Stabilization Fund (FSF)
The FSF was established April 1, 2000 by *The Fiscal Stabilization Fund Act*. Its purpose is to stabilize the fiscal position of the Government to facilitate long-term planning. Stabilization occurs through transfers between the FSF and the General Revenue Fund (GRF) as approved by Treasury Board. Transfers to the FSF from the GRF are statutory disbursements. Amounts transferred to the GRF from the FSF are available for expenditure subsequent to receiving required approval from the Legislative Assembly.

Fiscal Year
The period commencing on April 1 in one calendar year and ending on March 31 in the following calendar year.

General Revenue Fund (GRF)
The fund into which all revenues are paid, unless otherwise provided for by legislation, and from which all expenditures are appropriated by the Legislative Assembly.

General Revenue Fund Financial Statements
The financial statements prepared for the moneys appropriated by the Legislative Assembly.

Gross Debt
The gross debt of the Province consists of money owed directly to lenders through the sale of short-term promissory notes and medium and long-term debentures in the capital markets, as well as the amount owed to holders of Saskatchewan Savings Bonds.

Guaranteed Debt
The debt of Crown corporations and others that the Province has promised to repay if the debt issuer is unable to do so.

Performance Measurement
Performance measurement is a process of regularly assessing progress towards achieving the outcomes articulated in a strategic plan. Measurement results are analyzed, reported and the knowledge gained is used by the organization to modify and improve future plans.

Public Accounts
The Public Accounts of the Government of Saskatchewan are organized into two reports. Volume 1 contains the General Revenue Fund financial statements and the Summary Financial Statements. These are the main financial statements of the Government of Saskatchewan. Volume 2 contains details on revenue and expenditure of the General Revenue Fund, financial information on the superannuation and trust funds administered by the Government, and a listing of remissions of taxes and fees.

Public Performance Results Reporting
The mechanism that Government uses to communicate with the public on the achievements of departments for a specific time period, compared to the intended results laid out in pre-specified plans (typically at mid-year or at the end of a fiscal year). All departments are now required to prepare and report performance plans and results reports as part of their Annual Report.

Revenue
The gross proceeds applicable to a fiscal year from taxes, licenses, transfer payments and sources other than borrowing.

Revolving Funds
Funds established by statute which are used to isolate certain items of related revenue and expenditure. Revolving funds are net budgeted in the Estimates, and are used for specific government operations that recover all or a portion of the associated costs from the funds' users.

Sinking Funds
Funds set aside to provide for the orderly retirement of a portion of the Province's debt.

Strategic Planning
Strategic planning is a practical, action-oriented process that sets goals and allocates resources to achieve meaningful results over time. Plans describe the outcomes that the organization intends to achieve over the planning period (goals and objectives) and the key actions that will be taken in the short term to move the organization toward its desired outcomes.

Summary Financial Statements
The financial statements that report on the consolidated financial resources and activities of all government organizations, including government boards, agencies, commissions, funds and Crown corporations.

Total Debt
The total debt of the General Revenue Fund consists of:

- gross debt – the amount of money owed to lenders, plus
- guaranteed debt – the debt of Crown corporations and others that the Province has promised to repay if they are unable to do so; less
- sinking funds – the amount of money which has been set aside for the repayment of debt.

Transfers
Transfers of money from the Government of Saskatchewan to an individual, organization, authority or other government for which no goods or services are directly received by Government and no repayment is expected in the future. Terms such as "grants" and "entitlements" are often used for transfers.

Transfers to Individuals
Direct or indirect transfers of money for which no public service is required of the recipient. These transfers provide the recipient with a financial benefit and are usually in the nature of income support, subsidy or compensation payment. These transfers may include public goods and services that are income tested.

Transfers for Public Service
Transfers to individuals, organizations, Crown corporations and local authorities (for example: school boards, district health boards and municipalities) to fund public services such as health care and education. Transfers to government organizations and corporations, which in turn provide a direct transfer or subsidy to their clients, are treated as a transfer to an individual.

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